Austria	Sch30	Iran	[illegible]	Pakistan	Rs35
Bahrain	Din0.800	Israel	[illegible]	Philippines	Pes40
Belgium	BFr60	Italy	L2200	Poland	Zl 16,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Esc175
Denmark	DKr12	Korea	Won 2000	Qatar	QR10.00
Egypt	[illegible]	Kuwait	[illegible]	S.Arabia	[illegible]
Finland	[illegible]	Lebanon	L£1,000	Singapore	S$4.10
France	FFr6.00	Lux	LFr60	Spain	Pta175
Germany	[illegible]	Malta	45 cents	Sweden	SKr13
Greece	Dr200	Morocco	[illegible]	Switz	SFr2.70
Hungary	Ft145	Neth	Fl 3.50	Thailand	[illegible]
Iceland	IKr160	Nigeria	Naira15	Tunisia	Din0.800
India	Rs20	Norway	NKr13.00	Turkey	L3600
Indonesia	[illegible]	Oman	OR1.20	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Friday July 5 1991

D 8523A

MEXICAN SUGAR
Not a story of sweet success
Page 26

World News

Nuclear fears prompt UK to probe exports to Pakistan

British customs has launched an investigation into the possible illegal export of sensitive computer material with nuclear application to Pakistan. The inquiry is in response to moves by the Norwegian authorities. Police in Norway are holding two unnamed men on charges of illegally exporting sensitive computer equipment and falsifying export documents. Page 16

New UN team for Iraq
A fresh team of United Nations investigators will travel to Baghdad as the UN Security Council meets today to discuss formulating another resolution to force access to suspected Iraqi nuclear sites. Meanwhile Iraq's national assembly approved a law which allows opposition parties but gives the ruling Baath party the sole right to operate within the armed forces and security services. Page 4

Lebanese in PLO deal
The Lebanese government said it had reached agreement with the Palestine Liberation Organisation to allow the Lebanese army to deploy peacefully in south Lebanon, after four days of fighting in which at least 65 people were killed and 104 wounded. Page 4

Shevardnadze quits
Former Soviet foreign minister Eduard Shevardnadze resigned from the Communist party. Page 3

Indian separatists
Maoist separatists in India's north-east Assam state said they would kill a kidnapped Soviet adviser and an Indian hostage unless six of their jailed leaders were freed by next Tuesday.

Mitterrand slumps in poll
An poll showed that only 48 per cent of French people, a six-point drop from last month, believe president Francois Mitterrand can solve France's difficulties. Prime minister Edith Cresson's popularity slipped 11 points in the poll, to 38 per cent. French towns face debt, Page 3

Norway in EC move
Norwegian foreign minister Thorvald Stoltenberg will discuss conditions for his country's possible membership of the European Community during a visit to The Netherlands.

Vatican link restored
Albania is to re-establish full diplomatic ties with the Vatican after a break of 45 years, prime minister Ylli Bufi said.

Rebels reject Najibullah
Afghan guerrilla leader Sibghatullah Mojadidi said the rebels could not accept the presence of Soviet-backed president Najibullah at any talks to end Afghanistan's 13-year-old civil war.

A taller story
Japanese researchers have developed a way to extend the length of legs or arms by more than 10 inches (25cm) with a bone-cutting operation and a motor-driven device. The Mainichi Daily News reported.

Business Summary

Gloom deepens over prospects for UK economy

Gloom deepened about the prospects for the UK economy, as details emerged of the grim state of the housebuilding and car industries and as private sector economists said they had become considerably more pessimistic about the outlook for the rest of this year.

In the motor sector, new car sales in June dropped by 31.2 per cent on the year, the steepest fall in year-old recession. Page 7

HANSON, the UK conglomerate which has a 2.8 per cent holding in ICI, paid no mainstream corporation tax in the UK between 1981 and 1986.

VOLKSWAGEN, the German car group, reported 13 per cent higher turnover in the first half of 1991 but only a 1 per cent increase in net profits, to $237m. Page 17

INTERNATIONAL Monetary Fund issued a strong statement of support for the new Indian government's attempts to deal with balance of payments problems and its plans for economic reform. Page 4

BOSCH: Marcus Bierich, chief executive of Robert Bosch, the German electrical and electronics group, forecast more gloom after a profits drop in 1990. Page 17

NORTHWEST Airlines, the fourth biggest US airline, confirmed its intention to bid for a stake in Qantas, the Australian carrier which is to be part-privatised. Page 20

THE European Commission launched an inquiry into international telephone charges. It follows an informal investigation into complaints of high telephone costs. Page 16

MOLSON, the diversified Canadian brewer, will focus in the year ahead on cutting costs in its domestic operations and expanding its penetration of the US beer market. Page 20

DALLHOLD Investments, Alan Bond's family company, appeared to be crumbling after receivers, appointed by a syndicate of creditors, took control of its main asset. Page 20

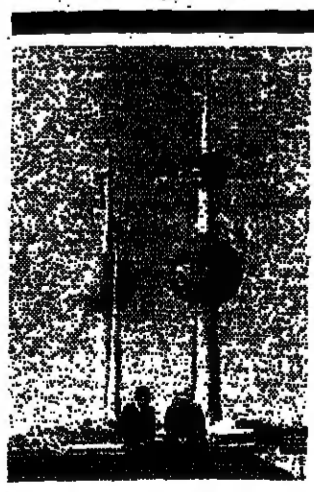
SMH, the leading Swiss watchmaking group, has signed a joint-venture contract with Germany's Volkswagen to develop an "ecologically inoffensive city car".

VOLVO truck corporation, part of the Swedish auto group, has decided to terminate talks with Tatra and Liaz, the Czechoslovakian truck manufacturers over a co-operation agreement. Page 18

SHARES in Pancontinental Mining, the Australian mining group, were marked down by 11 per cent following the sale of its Jabiluka uranium and gold deposit. Page 20

JARDINE Fleming Investment Management plans to set up and manage an open-type investment fund for Asian stocks, including those in Hong Kong and Singapore. Page 21

CSR, the Australian sugar and building materials group, said profit from its aluminium and sugar businesses could be slashed by $38m. Page 20



REBUILDING KUWAIT
Firefighters are dousing the inferno of Kuwait's oilfields. Broken tanks, smashed cars and other scars of Kuwait's war have been cleared. Some foreign contractors have begun stripping, clearing and repairing damage caused by Iraq's occupation. Others are bidding for the millions of dollars worth of further contracts. But the ruling al-Sabah family has yet to chart a secure future for the new Kuwait. On Monday, the Financial Times publishes a comprehensive survey on the rebuilding of Kuwait.

IBM and Siemens in joint chipmaking deal

By Alan Cane and Michael Skapinker in London

INTERNATIONAL Business Machines (IBM), the world's largest computer maker, yesterday announced a memory chip manufacturing agreement with Siemens of Germany. The deal is designed to challenge Japan's domination of the market.

The two companies announced in Paris that they intended to collaborate in the production of the next generation of silicon memory chips, each capable of storing 16m individual bits of information.

The agreement, which fundamentally changes the balance of the world semiconductor industry, also ends hopes of collaboration between European companies to compete on a world scale.

Yesterday's is the third agreement in as many weeks in which IBM has sought alliances with other big manufacturers in a bid to recover leadership of the industry.

IBM and Siemens will share the cost of expanding the US giant's existing semiconductor manufacturing plant at Corbeil-Essonnes in France. The capital investment is estimated at around $800m and their aim is to begin production in the second half of next year.

Output from the plant, 16 megabit read-write memory chips (16MB D-Rams), will be shared equally. Siemens will sell any excess capacity on the merchant semiconductor market. It will be the first time that IBM semiconductor products have been available on the open market.

D-Rams are the building blocks of the electronics industry, used in products from video recorders to supercomputers.

The present leading edge memories are 4m bits in size. Companies using the latest generation chips in their products gain cost and performance advantages.

Seven of the world's top 10 memory producers last year were Japanese, according to Dataquest, a high technology consultancy. One, Samsung, was Korean and only two – Texas Instruments and Motorola – were American.

IBM is the world's largest semiconductor manufacturer and computer maker but all its production has traditionally been absorbed by its own manufacturing activities.

Mr Jack Kuehler, IBM president, said yesterday: "This agreement helps achieve a more global balance by establishing 16m bit manufacturing technology in Europe on a very aggressive schedule."

Mr Karlheinz Kaske, Siemens president and chief executive, said the deal was a further step to strengthen an independent European electronics industry.

Lumbering giant, Page 14
Editorial comment, Page 14

Slovenia fears full-scale attack by federal forces

By Laura Silber in Belgrade and Judy Dempsey in Ljubljana

SLOVENIA and the Yugoslav federal army were last night locked in a war of nerves after the rebel republic rejected an ultimatum to cede control of its external borders to the federal authorities by Sunday.

The ultimatum and the rejection added to fears in the Slovene capital Ljubljana that the federal army would carry out its threat to launch a full-scale attack on the republic. Slovene authorities threw steel barriers across some main roads to protect the capital against a tank assault.

While tension remained high, the ceasefire between Slovene forces and the federal army continued to hold yesterday and it appeared that all federal army units had returned to barracks in Slovenia by last night.

Western diplomats said that the collective presidency's tough ultimatum against Slovenia showed that the hardline pro-army republics had given the army the "constitutional" right to take any necessary action against the rebel republic.

The central presidency is dominated by a pro-army faction led by the republic of Serbia, which is supported by the republics of Montenegro, and the two provinces of Kosovo and Vojvodina.

The eight-point ultimatum included a demand that all Slovene forces be returned to barracks and all barricades in the republic be removed by today. The demand was issued in the absence of Slovenia's representative, Mr Janez Drnovsek, who did not attend the session on principle.

Mr Milan Kucan, the president of Slovenia said: "An ultimatum [of this kind] can only be answered by another ultimatum. It looks as though in Yugoslavia force is the only answer."

In eastern Croatia, meanwhile, a clash between two Serbian rebels and members of the Croat national guard left two Croats dead, according to the Serbian Tanjug news agency. The deaths were reported after fighting in the village of Celije, where three reservists were also injured. Another three Croat reservists were injured in the nearby village of Borovo.

There were also reports of a three deaths in eastern Croatia.

Federal army convoys continued to fan out across the country. In Zagreb, Croatian authorities reacted angrily to a move into the republic's territory from neighbouring Serbia by federal army units and Chetniks – Serbian nationalist fighters – some of whom crossed the river Danube in rubber dinghies.

Mr Hrvoje Hitrec, Croatia's information minister, said 10 armoured personnel carriers belonging to the army and accompanied by Chetnik forces had taken up positions in the Baranje region of Croatia near the Hungarian border on Wednesday.

In Prague, diplomatic efforts to resolve the crisis of Yugoslavia's rebel republics ran into trouble. Yugoslavia and the Soviet Union were last night holding up an agreement by the 35-nation Conference on Security and Co-operation in Europe (CSCE) to back the despatch of an observer mission to Yugoslavia and to offer its "good offices" to resolve the crisis.

The Yugoslav delegate objected, in particular, to a sentence in the draft text which said "the establishment of a new constitutional order will be the essential element of a durable solution in Yugoslavia".

EC foreign ministers meet in The Hague today to discuss the crisis.

Earlier in Belgrade, Mr Ante Markovic, the federal prime minister, rejected all responsibility for the army's actions in Slovenia last weekand the mass mobilisation of federal troops now taking place throughout the country.

"The federal government never ordered, nor could order, any army action in the way it was done," he told a news conference.

"When I accepted the position of prime minister, I knew, constitutionally, I was not commander in chief of the armed forces. That is the presidency's role.

"The federal government did not have anything to do with that decision [to send in the army to Slovenia]. It is up to the presidency, but there was no presidency", he said.

Voice of reason; Greek fears; Moscow and Belgrade block mission; Page 2

Major will visit China to sign Hong Kong airport deal

By John Elliott in Hong Kong

CHINA has secured a growing say in the affairs of Hong Kong and has also persuaded Mr John Major, the British prime minister, to visit Beijing soon, in return for giving its approval for the British colony to go ahead immediately with a controversial HK$100bn ($9bn) airport project.

Mr Major will sign the agreement during his visit as the guest of Mr Li Peng, China's prime minister, who has been in the forefront of his government's opposition to the airport in the past 18 months.

Hong Kong government officials said yesterday that they were sticking to their original target date for opening the airport in early 1997, just before Hong Kong returns to China's sovereignty. They will start inviting tenders for HK$8bn-HK$10bn bridge and other contracts soon.

The agreement was reached on Sunday in Beijing by Sir Percy Cradock, Mr Major's foreign affairs adviser, but was kept secret for three days because China's approval was conditional on Mr Major agreeing to make the visit.

This is a considerable diplomatic coup for China, which has been trying to regain international recognition in the wake of its 1989 Tiananmen Square crisis, and shows how vulnerable the UK is diplomatically in the run-up to 1997.

The deal was widely acclaimed in Hong Kong as the "best possible". Local people have a primary economic interest in the airport, overshadowing concerns about China's growing influence. The local stock market rose 1.4 per cent in busy trading.

However, Mr Martin Lee, a leading liberal campaigner and legislator, warned that Hong Kong's autonomy had been whittled down because it was not represented in Beijing when the agreement was reached.

Sir David Wilson, the governor, said it was a "sensible practical agreement" and rejected suggestions that it marked the end of autonomy for Hong Kong or "joint rule" with Beijing.

Details, Page 4
Editorial Comment, Page 14
Clear for take-off, Page 15

Flying high: Sir David Wilson announces the airport deal

Soviet Union must help itself first, says Japan

By John Lloyd in Moscow

THE Soviet Union must help itself before expecting western aid, Mr Toshiki Kaifu, Japan's prime minister, told a senior aide to president Mikhail Gorbachev in Tokyo yesterday. "Plans without action are meaningless," he said.

Japanese officials said after the meeting that a resolution of the differences between the Soviet government and the republics was essential for western involvement.

Mr Yevgeny Primakov, who is in Tokyo to brief the Japanese premier on the Soviet proposals, said: "The purpose of Mr Gorbachev's trip to London is to make the direction of reform irreversible."

However, there were continuing indications that a union agreement, the bedrock for effective reform, is proving increasingly elusive.

Mr Vitold Fokin, the Ukrainian prime minister, said in an interview on television on Wednesday night that he had had bitter arguments with the union leadership at meetings of republican leaders in Moscow on Monday and Tuesday over Ukraine's unwillingness to sign the union treaty in its present form.

Mr Fokin made it clear that the Ukraine was seeking to protect its own economy when he said that, while the Russian harvest would be "30m-35m tonnes below the average", the Ukrainian harvest would be sufficient for its needs.

At the same time, the Russian parliament's legislation committee has said the draft treaty would split the republic, since it allows the 16 autonomous republics on Russian territory to join the union as separate states.

It recommended parliament to reject the treaty unless "major amendments" were incorporated, ensuring that the republics joined the union as part of Russia.

Mr Gorbachev will meet German chancellor Helmut Kohl in the Ukrainian capital, Kiev, today in an effort to win his support for assistance. Germany, with Italy, has been the most enthusiastic member of the Group of Seven Industrialised countries in arguing for assistance to Soviet reforms – but it, too, is concerned that Mr Gorbachev will be unable to convince the group that he has a coherent strategy.

Western officials preparing for the summit believe that Mr Gorbachev's best hope is to receive an endorsement of the need for change and a promise of assistance once basic reforms and institutions are set in place.

This commitment could then be used by Mr Gorbachev to persuade the republics to sign a treaty in the expectation that western aid will be available to them.

However, it is now thought possible that further efforts to sign the union treaty in the near future may be dropped in favour of trying to get agreement from the republics on an economic accord. An attempt may be made to convene a meeting of the republican leaders without the Soviet president – a move which may herald such an agreement.

CONTENTS

Colombia's countdown to a democratic constitution

Colombia at last has a new constitution in which political participation and respect of human rights play an important part. In the meantime, President Cesar Gaviria will govern by decree
Page 5

MARKETS

STERLING
London:
$1.6050 (same)
DM2.9450 (2.9400)
FFr9.9875 (9.9625)
SFr2.5400(2.5425)
Y223.25 (224.0)
£ index 89.5 (same)

GOLD
London:
$369.55 (369.15)

N SEA OIL (Argus)
Brent 15-day
$18.675 (−0.75)

Chief price changes yesterday: Page 17

DOLLAR
The New York markets were closed yesterday for the US Independence Day holiday

Tokyo close: Y139.40
London:
DM1.8350 (1.8315)
FFr6.2225 (6.2075)
SFr1.5830 (1.5835)
Y139.0 (139.5)
$ index 68.7 (68.5)

STOCK INDICES
FT-SE 100:
2470.4 (+22.2)
FT Ordinary:
1904.7 (+9.8)
FT-A All-Share:
1183.05 (+0.8%)
FT-A World Index:

Tokyo: Nikkei
23,135.61 (−237.86)

LONDON MONEY
3-month interbank:
closing $11\frac{3}{16}$% (same)
Liffe long gilt future:
$91\frac{5}{16}$ ($91\frac{3}{32}$)

Slovene border post where voice of reason kept guns silent

By Judy Dempsey in Ljubelj, on the Yugoslav-Austrian border

THE drive up to Ljubelj, set deep in the Slovenian Alps, is spectacular. Freshly mown meadows give way to rolling hills, and then to steep roads which lead up through forests and high into the mountains which are still capped with snow.

It is ideal country for walking and climbing. It is also ideal terrain on which to wage a guerrilla war.

At the Ljubelj pass, one of the border crossings into Austria, there are no longer any signs of fighting, few indications of any high-level security, and little to convey a sense of the war which gripped the small western republic of Slovenia earlier this week.

Here all the outward signs are that the republic has already implemented its independence. Yesterday's ultimatum from the Yugoslav presidency may well demolish these trappings, if federal troops are again sent in to restore control over the borders.

But yesterday travellers coming across from Austria were welcomed by a sign saying "Republika Slovenija", instead of "Socialist Federal Republic of Yugoslavia." The red-starred blue white and red Yugoslav flag no longer marks the border point. Fluttering in the light breeze is the Slovene flag, with its new emblem of a sea, a mountain and three small golden stars.

Contrary to statements from the army high command earlier this week that the federal army had "achieved its objectives", and had regained all Slovenia's border crossings, the Ljubelj pass was never captured by the federal army.

The Slovene flag, hoisted at 1300 hours on June 26, a day after the republic declared its independence, was never pulled down. Until independence day, Slovenia's border posts had been manned by Slovene border police, the frontiers had been protected by federal police, and the federal customs officers were paid by the federal government.

Since then, the Slovenes have taken control of customs, frontier policing and the border crossings.

Mr Bojan Bilak, the commander of the Ljubelj crossing, said: "On Thursday, the day after I raised the flag, about one hundred federal troops came up here. We were prepared.

"Our Territorial Defence Units (TDUs) had already moved into the hotel," he said, pointing to the wooden Alpine-style building not far from the border. The two sides immediately started negotiations.

"We wanted to prevent bloodshed, we wanted to find a peaceful solution, we wanted to protect the property here, we wanted to protect the lives of the 50 civilians who work here," he explained.

By last Monday, the federal units had returned to their barracks without firing a single bullet.

The commander believes that federal troops withdrew because they simply did not have the equipment to stage an attack.

"They could not get their tanks out here because of the road blockades.

"The federal units had no air defence back-up. If the troops had attacked, well, they would have had to take the border with force. We were ready to fight." But there was little sense of gung-ho attitudes among the republic's young defence forces who were sitting out on their hotel balcony. None of them was gloating about humiliating the Yugoslav army. "It is not good when you talk with arms.

I never thought it would come to this," said Mr Darko Turc, 25, and a forester by profession. Mr Turc, who on June 23 was told to prepare for call-up to the defence units, was sent with 60 other troops to Ljubelj on June 27.

"Seven or eight years ago, I thought that we would be able to live with the rest of Yugoslavia. But now, I don't think so. We have too many different views [among the republics] about political questions."

A colleague interrupted. "The fault lies with the generals at the top of the federal army". All the young reservists were equally calm. They also seem unconcerned about the fact that the federal army could still unleash a fresh, and massive attack on the republic.

"We would go into the mountains," said Mr Zjilko Bosman, 23, who normally works in a shoe factory. "Some of us are trained in guerrilla warfare. We know our way in the mountains. We are mountain people."

As they smoked their cigarettes and drank coffee, a trickle of cars was braving the uncertainty and venturing from Austria into Slovenia.

Only the noise of their engines disturbed the peace.

The reservists hoped they were not being lulled into a false sense of security.

Moscow joins Belgrade to block CSCE mission

By Robert Mauthner and Ariane Genillard in Prague

YUGOSLAVIA and the Soviet Union were last night holding up an agreement by the 35-nation Conference on Security and Co-operation in Europe (CSCE) to back an observer mission to Yugoslavia and to offer its "good offices" to resolve the crisis there.

Although senior officials from the member countries agreed in principle here on Wednesday night that the European Community should organise an observer mission to monitor a ceasefire in Yugoslavia, the decision was referred back to their respective governments for final endorsement.

By the time the officials adjourned for two hours late yesterday afternoon, the Belgrade authorities had still not given their reply.

The proposed "good offices" mission met strong reservations from both the Soviet Union and Yugoslavia. The Yugoslav delegate objected, in particular, to a sentence in the draft text which said "the establishment of a new constitutional order will be the essential element of a durable solution in Yugoslavia".

This was clearly unacceptable to both the federal and military authorities in Belgrade.

The clause was subsequently dropped, but the Yugoslavs still said they could not finally approve the proposal at the present meeting, though they did not object to the CSCE making such an offer.

Soviet objections to the "good offices" proposal were more fundamental. The Soviet delegate made it clear that Moscow considered it inappropriate for the CSCE to intervene in the internal affairs of a member country.

He openly expressed fears that such a procedure might subsequently be applied to disputes between various Soviet republics and the central government in Moscow, which would be unacceptable.

Other delegations expressed the hope last night that the Soviet Union would, in the end, accept a "good offices" mission to Yugoslavia, as long as it was clearly stated that such a procedure would not serve as a precedent.

Mr Gianni de Michelis, the Italian foreign minister, made an unexpected appearance at the senior officials' meeting, although he is no longer a member of the EC "troika" which has been playing a mediating role in the Yugoslav crisis.

Mr de Michelis, who was accompanying Mr Francesco Cossiga, the Italian president, on a bilateral visit to Czechoslovakia, made an urgent appeal to the conference to approve both the observer and "good offices" missions.

Underlining the importance of the proposals not only for the future of Yugoslavia, but for the whole of Europe, he said it was essential for "the maximum political influence" to be exerted on Yugoslavia and the two breakaway republics of Slovenia and Croatia.

Members of the territorial Slovene army gather round the flag pole yesterday as the Slovene republic's flag is hoisted at the border town of Radgona after Yugoslav federal tanks pulled out of the city

Germans experience conflicting pressures

By Quentin Peel in Bonn

THE GERMAN government is facing conflicting pressures over how far to go in supporting moves to independence of Slovenia and Croatia.

Mr Hans-Dietrich Genscher, the German foreign minister, will be pressing his EC partners in The Hague today for a strongly-worded political declaration on Yugoslavia. This could include the threat at least to consider recognition of the two breakaway republics, if the Yugoslav army were to intervene, according to German diplomats.

The Germans expect other EC states, including Britain, France and Spain, to prevent the declaration from being too explicit.

In theory, the issue concerns the two potentially conflicting articles of the Helsinki declaration on human rights, the one concerning territorial integrity, and the second, self-determination.

However, the real life linkage which concerns both the German Foreign Ministry, and other EC states, is what effect too rapid recognition of Croatia and Slovenia would have on the situation in the Soviet Union.

The west has managed to maintain a firm position that there can be no recognition of the independence of republics such as Lithuania and Georgia until they can demonstrate that they are in control of their own territory.

At the same time Britain, France and above all Spain, threatened by Basque and Catalonian separatist movements, are all concerned not to give excessive weight to the issue of self-determination, without a counter-emphasis on territorial integrity.

The German government is acutely concerned about the potential disintegration of the Soviet Union.

However, it is also under heavy popular pressure to be more supportive of the Catholic populations of Croatia and Slovenia.

Mr Genscher suffered the ignominy earlier this week of a unanimous vote in the Bundestag foreign affairs committee to investigate his alleged policy of appeasement towards the Yugoslav government. He has also been strongly attacked on the issue by Mr Volker Rühe, general secretary of the Christian Democrats, the majority partner in the government, for not rushing into recognition.

Thus what he needs today is a strong enough political statement to deflect domestic criticism, and hopefully to deter the Yugoslav armed forces, but not one which commits him to early recognition.

"Recognition is really the only major card we have in our hands to use as a means of persuasion with Belgrade," according to one Western diplomat in Bonn. "We cannot afford to play it in any decisive way too soon."

Separatist upheavals shatter republics' illusions of a robust socialist economy

Some Yugoslav republics are more equal than others, reports **Anthony Robinson**

YUGOSLAVIA used to be proud of its unique "self-management" socialism and the universal Yugoslav joke was "I wish I could afford to live as well as I do."

It was all an illusion, fed by the foreign loans which flowed in while Marshal Tito was able to override an unworkable constitution and rule by a communist version of divine right. Over the last 18 months the economy has contracted by more than 40 per cent and the current political and military crisis can only speed the decline as workers and managers are called up for military service and tourists flee in droves.

Even in the "good old days" of Tito, however, the reality was that the best enterprises were those run by a strong entrepreneurial individual. Failing that, self-management was a formula for low investment, inflationary pay increases and over-manning.

Behind the facade of Yugoslav unity each republic demanded its own power stations, steel mills and economic autonomy. The result: a fractured and fragmented economy which reflects the ethnic and other divisions of the country and which has disintegrated further with the imposition of internal customs and other barriers between republics.

In broad terms the economy gets weaker as one moves east. Slovenia is the richest and most export-oriented republic, although the main buyers for many of its products, especially household appliances, are often Yugoslav "gastarbeiter" working in Germany, Austria and elsewhere. It is the centre of the country's electronics and other light engineering industries. The trim little sub-Alpine republic also has a thriving tourist industry and efficient agriculture. It is where private enterprise is most advanced.

ECONOMIC SITUATION IN YUGOSLAVIA (1990)

Region	Industrial production % change	% out of work	Average monthly salary (dinars)	Exports $ per capita	Imports $ per capita
Slovenia	−10	5	5,528	5,253	6,021
Croatia	−11	10	4,667	1,925	2,924
Serbia					
Serbia proper	−12	20	4,002	1,773	2,368
Vojvodina	−10	21	4,033	1,937	3,554
Kosovo	−27	65	2,244	763	841
Bosnia-Herzegovina	−8	27	3,293	1,996	1,830
Montenegro	−17	30	3,075	1,379	1,228
Macedonia	−11	31	3,115	1,138	2,211
Yugoslavia	−11	20	4,122	2,196	2,896

Source: Morgan Stanley/official Yugoslav statistics

Croatia, in normal times, likewise benefits from its proximity to EC markets and the hard-currency income from a highly developed tourism industry along the fractured, island-studded Adriatic coast. It also has a substantial shipbuilding industry. Thus far however Croatia has not progressed far with privatisation of the still mainly "self-managed" enterprises.

The big exception is the tourist industry. Most of Yugoslavia's $2.8bn (£1.75bn) official tourist revenues last year were earned in Croatia. The real income is much higher when private letting and tourism-related activities are included. For tourism, the military intervention in Slovenia has been a disaster.

Serbia is where the "other Yugoslavia" starts, the Yugoslavia of high unemployment, state bureaucracy, small mountain farms, low-productivity, import-substitution industry – and most of Yugoslavia's military and heavy industry.

It contains some of the most notorious white elephants, such as the Smederevo steel complex south of Belgrade, which has sucked up appropriately elephantine subsidies for decades.

But you cannot make tanks without steel, and possession of a smoking steel-mill retains its Stalinist-macho appeal to the old-style communists who still dominate the republic's politics and the army.

The trouble is that a steel plant in the Serbian mountains, far from the sea and far from cheap supplies of ore and coal, makes little economic sense. It would have been far better to build a plant on the coast, capable of supplying the entire Yugoslav market and beyond. But most of the potential sites are in Croatia.

Serbia, like Bosnia-Hercegovina, Macedonia and Kosovo, does have mineral resources. But deposits tend to be small and its mines are often old and under-capitalised. In Vojvodina, the autonomous republic now re-integrated into Serbia, the republic also possesses some of Yugoslavia's most fertile agricultural land. The wheat and maize fields stretch as far as the eye can see north of Belgrade and across the Sava river, where the plains of Vojvodina stretch out until they become part of the Hungarian Puszta.

The poorest of all the republics is Kosovo, the 90 per cent Albanian-populated region in Yugoslavia's deep south. For emotional reasons Serbs have sought to re-impose their control over a region which was the heartland of medieval Serbia.

But it is a huge economic drain and in purely economic terms Serbia would gain if, as is almost inevitable in the long run, the republic splits off to become part of a future greater Albania.

Up to now the EC and other aid donors and creditors have more or less explicitly made preservation of the federation a condition for loans and assistance. But this has become increasingly difficult to sustain, as the International Monetary Fund found earlier this year when fundamental disagreement over the federal budget delayed a $1bn standby credit.

Significantly, the main point of issue was Slovenia's demand for deep cuts in the military budget, which consumes nearly half the federal budget.

Whatever happens to Yugoslavia the military sector must be cut. If it splits into its constituent parts Serbia alone will not be able to afford the present rate of military spending. If Slovenia and Croatia agree to remain in a form of confederal state they will make military cuts a principal condition of membership. Either way conversion of the military economy will be as important to Yugoslavia as it is to the Soviet Union.

As in post-communist east and central Europe, the other ingredients for reconstructing the Yugoslav economy include closure of loss-making enterprises, rapid privatisation and clear control over central and republican budgets.

That means tackling the underlying problems whose neglect did so much to bring the country to its present impasse.

Homesick captives find it all puzzling

FRESH-FACED and homesick, captured Yugoslav soldiers in Slovenia say they thought they were going to defend their country against an Italian attack when they were ordered to seize border crossings, Reuter reports from Nova Gorica, Yugoslavia.

"Our officer said the Italians were attacking the frontier and that was why we were being sent to the border," Driton Fazli, a 22-year-old from the province of Kosovo said in his makeshift prison in a local school. He is one of 600 Yugoslav soldiers captured by Slovenian militia in clashes around the border town.

Most are young conscripts who appear to have little idea what the fighting was about.

The prisoners, smiling and apparently relieved that for them at least the fighting is over, are being held in the school, sleeping on mattresses spread out on classroom floors.

The general view among 12 prisoners interviewed is that Yugoslavia's problems have to be resolved without bloodshed.

"With war, you can't resolve anything," said Petrov Vanc, a 19-year-old Macedonian.

Many are little older than the schoolchildren whose paintings still adorn the walls. Several said they had no idea why they were ordered to seize border crossings.

Many admitted they had given up a without firing a shot. "Our lieutenant just said: 'Let's surrender'," said one.

Fazli, who came from Kosovo to do his national service at the local garrison, was captured on June 28 when the army tried to seize Slovenia's border posts after the breakaway republic proclaimed its independence.

He was shot in the leg but it was not until he was taken prisoner that he realised who had done the shooting. But he displayed no ill will towards his captors.

The eight wounded prisoners in part of the school converted into a hospital include two Yugoslav soldiers who were badly burned when their tank was set alight.

Convoys of parents seeking the return of their captured children have left Belgrade for Croatia and Slovenia.

Privatisation and DM6bn boost urged for E German chemicals

By Leslie Colitt in Berlin

EAST Germany's huge and inefficient chemical industry can only be saved by rapid privatisation and investments of at least DM6bn (£2bn) in the four main producers, a high-level inquiry disclosed yesterday.

The chemicals plants, located in the Leipzig-Halle area, lie at the heart of east Germany's industrial problems. They employed 104,000 workers in 1989 and accounted for nearly half of chemicals output.

In order to survive, only 30,000 jobs can be retained "over the long term" the inquiry said. It was conducted by the Treuhand agency for privatisation together with the federal and state governments, trade unions as well as representatives of consultants McKinsey & Company and Arthur D.Little.

The investigation made clear that the DM6bn in investments did not cover the costs of cleaning up the immense pollution in the area or assuming the large debts of the companies.

The Treuhand has accepted responsibility for these but the said the sums could only be calculated when the companies were privatised.

"Initial successes" in privatisation of the chemicals companies were "within sight" and would act as a signal for the entire industry the investigators said.

They arrived at this optimistic view after talks with potential investors which were conducted in co-operation with the Goldman Sachs investment group. The Treuhand claimed its principle of achieving the most extensive privatisation possible had thus been confirmed.

A Treuhand spokesman said earlier that British Petroleum had shown interest in buying a part of the Leuna chemical works if it were permitted to take over the profitable Minol filling station company also held by the Treuhand.

The main chemicals producers - Leuna (which also has a refinery), Buna, Wolfen and Chemie AG at Bitterfeld - were part of the prewar IG Farben empire and are regarded as among the most difficult east German companies to privatise.

Predatory pricing judgment confirmed

By Andrew Hill

COMPANIES which use their dominant position to cut prices and drive smaller rivals out of the EC market can expect tough treatment in future, the European Commission warned yesterday.

The Commission's powers to act against predatory pricing were clarified and given new impetus on Wednesday by the European Court of Justice, ending a 12-year battle between a small British chemicals company and the Dutch chemicals group Akzo.

Akzo was fined Ecu10m (£7m) in 1985 for threatening to undermine the UK market position of Engineering & Chemical Supplies (Epsom and Gloucester) if it did not withdraw from continental European markets dominated by the Dutch company.

After an appeal by Akzo, the court has now upheld the main substance of the Commission case against the Dutch company, but decided to reduce the fine to Ecu7.5m, partly because the ruling broke new legal ground by defining what constituted predatory pricing.

The court distinguished between the variable cost of producing a product – which varies according to the number of units produced – and the fixed cost. It ruled that a dominant company could not set prices below the average variable production cost in order to eliminate a competitor. It also outlawed the setting of prices below the average total cost of production if it was part of a plan to eliminate a rival group.

Mercedes-Benz executive backs rail move

A SENIOR executive of the world's biggest truck manufacturing group yesterday urged EC member states to get more freight off the roads and onto rail, Richard Tomkins writes in Berlin.

Mr Helmut Werner, deputy chairman of Mercedes-Benz, said this was the only politically and socially acceptable way of coping with the growth in EC road freight.

Volumes were forecast to grow by 40 to 60 per cent by the end of the decade, Mr Werner said. "The only way you could deal with that is by clearing the roads of cars." Mr Werner, in Berlin for the annual European Railway Congress, said a combination of strategies was needed.

One was to reduce their output of noise and pollution. Another was to make better use of the existing fleet through more sophisticated logistics. More significantly, Mr Werner said there would have to be a re-definition of the way transport was divided between road and rail on main transport routes – particularly in sensitive areas such as alpine transit.

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Angry: Shevardnadze attacked Kremlin's 'kangaroo court'

Shevardnadze says communist smear campaign likely

By John Lloyd

THE FORMER Soviet foreign minister, Mr Eduard Shevardnadze, yesterday published his letter of resignation from the communist party which had raised him to the top of the Soviet hierarchy – and forecast that a smear campaign would now be launched against him.

He said that his calls last month for a new party to compete with the communists gave no grounds for the investigation which had been launched against him by the party's central control commission.

"Under no circumstances will I agree to be brought as a defendant before this 'kangaroo court'. If I did, I would against my own will and convictions reaffirm the legality of the CPSU's [Soviet Communist Party's] return to repressions against dissidents."

Mr Shevardnadze's exit from the party, a few days after his formal launching of the Movement for Democratic Reform with other leading communist reformists and non-party radicals, comes weeks before a special plenum of the central committee will meet on July 25 to discuss a new party programme.

The programme is the first in the party's history to embrace a mixed economy and parliamentary democracy, and is certain to make the special plenum a violently divisive affair. Reformists in the party believe President Mikhail Gorbachev is using the issue to try to force the hardliners out of the party and to reform it round a social democratic programme.

Matra in legal move over aid for rival

By William Dawkins in Paris and Patrick Blum in Lisbon

MATRA, the producer of the Espace family van, has taken legal action against the European Commission's approval of Ecu547m (£382.35m) aid for a FFr2.5bn (£250m) plant to make rival vans in Portugal.

The French space, telecommunications and transport group, has asked the European Court of Justice to overturn the package of EC regional aid and Portuguese tax exemptions for Volkswagen and Ford.

The two leading car groups plan jointly to produce 190,000 compact vans a year in the backward region of Setubal, near Lisbon.

The Portuguese government reacted calmly yesterday. "I don't think it changes much. Everything goes ahead as planned," said Mr Miguel Athayde Marques, the vice-president of ICEP, the official foreign investment promotion agency involved in negotiations over the project. He argued that the complaint was groundless.

The plant's capacity would be well over double current European demand for 90,000 vans per year, expected to grow to between 400,000 and 600,000 by the end of 1994, when the project is due to open.

If Matra wins, Ford and Volkswagen can be made to return the cash. However, the court will take up to two years to decide, during which time the project can go ahead unchanged.

The French group argues that the aid is far too much to compensate for the economic disadvantage of being based in such a poor and remote region and that it makes no sense to subsidise a huge slab of new capacity in such a competitive market.

Mr Frédéric d'Allest, Matra's managing director, said: "If we thought the aid would only compensate for regional handicaps, we would have nothing to say.... but this completely disrupts free competition in the car industry."

He estimated the aid was worth more than FFr5,000 ($806) per vehicle to Ford and Volkswagen, while the regional disadvantage amounted to FFr600-FFr800 ($96-$128) per van.

Matra makes around 50,000 Espaces per year – more than half the European market – under the badge of Renault, which has distributed them since Matra pioneered the concept of estate-car type vans in 1984. If market conditions allow, Matra plans to increase output to 120,000 vehicles annually by 1995.

France refines envied training system

A higher portion of company wage bills will now be spent, William Dawkins writes

FRANCE has just kicked off the first reform of its much admired professional training system, the results of which should be instructive to those, like the UK Labour Party, who wish to copy parts of it abroad.

The basic principle is that companies employing more than 10 staff must spend a statutory minimum of their wage bill on training. No other European country has such a rule, introduced in 1970, the brainchild of the young Mr Jacques Delors, then an adviser to Mr Jacques Chaban-Delmas, the prime minister of the time.

Over that period, the minimum limit has been an unchanged 1.2 per cent of the wage bill, though in practice employers have on average spent much more. Last year, they spent 3 per cent of the payroll – or FFr40bn (£4.01bn) – on training, on top of the government's own spending on public training programmes.

Under their first thorough rethink of the system since 1970, employers and unions emerged bleary-eyed from an all-night meeting earlier this week, agreed that they want to lift the minimum to 1.4 per cent next year and 1.5 per cent in 1993.

They also agreed that there should now be a minimum training allocation for small businesses employing less than 10 people – 0.15 per cent of the payroll – that unions should have slightly more say in how the cash is spent and that staff should be obliged to take part of their vocational training in their spare time, to reduce the cost to small business, who spend much less on training than large ones.

All this will be seized on with delight by the French government, which has placed top priority on ways of improving the quality of the workforce, at a time when the jobless rate is climbing, from 9.5 per cent now to 9.9 per cent at the end of the year, according to the latest forecast by Insee, the state statistics body.

Mrs Edith Cresson, the prime minister, has appointed an inter-ministerial group to study whether the German apprenticeship system can be replicated in France, an idea viewed with some scepticism by officials of the Patronat employers' organisation. Separately, the government will embody this latest industry-union agreement in a law on training in the autumn.

But how effective has France's professional training system really been? While it does guarantee a minimum amount of investment in training, it does not always channel spending to where it is needed most, nor does it guarantee the quality of training, admits Mr Claude Michel, president of the Patronat's training body.

The spread of spending is very uneven. Mr Michel reckons groups employing more than 500 people account for well over half total company investment in training, but only 17 per cent of employment. Medium-sized businesses spend only fractionally more than the minimum, while large groups in technology related sectors can spend more than six times as much.

Yet most of the new jobs being created in France, as elsewhere in Europe, are in small businesses, says Mr Michel. The introduction of the new threshold for small entrepreneurs, accepted by the small business federation, should help.

Mr Michel and his colleagues are also concerned about inadequate links between the education system and industry, especially for the least successful teenagers.

It estimates that out of the 800,000 children who reach school-leaving age annually, some 100,000 have no academic or vocational training qualifications. The figure is falling, from 150,000 five years ago, but the Patronat believes too many of today's school failures go into long-term unemployment.

They would like to see an equivalent of Britain's Youth Opportunities Scheme, which could provide basic vocational training before the age of 16. However, the Education Ministry is unsympathetic and is sticking to its long held policy that the best solution for every French child is a complete academic education.

PUBLIC SPENDING ON LABOUR MARKET PROGRAMMES*

	% of GDP
Belgium	0.01
Denmark	0.28
France	0.23
Germany	0.07
Greece	0.23
Ireland	0.28
Italy	0.43
Luxembourg	0.02
Netherlands	0.05
Portugal	0.28
Spain	0.03
United Kingdom	0.25
United States	0.00

* Non-targeted support of apprenticeship-type and training for unemployed adults

Dozen French towns suffer financial stress

By George Graham in Paris

MANY OF France's largest towns are running up debts that could bring them to the brink of financial collapse, according to a study by the French business newspaper, Les Echos.

The 100 largest towns in France have accumulated debts totalling more than FFr100bn ($16.1bn), and 17 of them have debts of more than FFr10,000 ($1,610) per inhabitant.

"A dozen towns, including some of the most important in France, are in an extremely worrying financial situation, comparable in certain cases to the state of near-bankruptcy in which Angoulême finds itself," comments Mr Nicolas Beytout, editor of Les Echos, a part of the Pearson group which also owns the Financial Times.

The study shows Avignon, capital of the Provence-Alpes-Côte d'Azur region of southern France, as the most heavily indebted large town with a burden of FFr1.8bn ($280m) or FFr20,365 ($3,279) per inhabitant.

This is only FFr108 less per head than Angoulême, which has been in dispute with its creditors since last September after defaulting on its FFr1.2bn of debts, and which is too small to be included in the sample.

Avignon's predicament is shared by a number of other towns in southern France, including nearby Arles and Nimes as well as the port city of Marseilles, France's second largest conurbation.

The former papal city's debt is equivalent to nearly five years of tax revenues, but its tax rates are already well above the national average, leaving it with little leeway to pay off its debt by raising taxes.

The debts are attributed to a policy of heavy spending by Mr Henri Duffaud, socialist mayor of Avignon for 25 years, continued by his right-wing successor, Mr Jean-Pierre Roux, from 1983 to 1988. Mr Guy Ravier, the current socialist incumbent, has begun to cut spending and raise taxes.

Avignon also reflects, like Marseilles, the disorganisation resulting from the political divisions between the old inner cities and the surrounding suburban communes.

Whereas the inner city administration has to bear most of the costs of public transport, hospital services and cultural investment, tax-producing businesses and inhabitants are increasingly relocating to the outskirts.

Paris, meanwhile, remains financially healthy, with only FFr2,022 ($325) of debt per inhabitant and tax rates only half the national average.

FRANCE'S MOST HEAVILY INDEBTED CITIES (FFr)

	Debt per inhabitant	Tax revenue per inhabitant
Avignon	20,365	4,098
Cannes	15,336	5,437
Dunkerque	14,033	5,620
Brive	13,831	3,359
Bordeaux	13,628	4,605
Nice	13,555	4,222
Nimes	13,466	3,435
Noisy-le-Grand	13,239	3,644
Chambéry	13,123	4,218
Arles	12,683	4,622
National average	6,888	3,138
Paris	2,022	3,194

Source: Les Echos

European airlines fly 11% fewer passengers

By Andrew Hill in Brussels

INTERNATIONAL passenger traffic on Europe's largest scheduled airlines slumped by an estimated 11.2 per cent in the first half of 1991 compared with last year.

The Association of European Airlines (AEA), which represents 22 scheduled carriers inside and outside the EC, estimates that passenger traffic in the second half could recover to normal growth, now that the Gulf conflict has ended. But the full year is still likely to show a drop of nearly 3 per cent compared with 1990.

Mr Bernard Attali, the AEA chairman of, said the crisis in the industry was "perhaps the most serious in the history of air transport".

Mr Attali was in Brussels for the publication of the AEA's policy paper on European air transport and the single market, which was presented to the European Commission last month.

Mr Karel Van Miert, the transport commissioner, is poised to submit to his fellow commissioners plans for the third phase of the EC's liberalisation drive towards "open skies" in Europe

Italian pension reform agreed

By Haig Simonian in Milan

PROSPECTS for reforming Italy's huge state pension system, one of the main contributors to its spiralling public-sector deficit, improved yesterday after agreement between the new labour minister, Mr Franco Marini, and key finance and treasury ministers.

The draft proposals, which envisage a gradual rise in the qualifying age for pensions to 65 for both sexes, now have to be approved by the cabinet, probably next week, before being presented to employers and trade unions for comment.

First reactions from the former communist trade union group were encouraging. However, a representative of the socialist union grouping was hostile to the plans.

Pension reform has been crucial to the attempts by Mr Guido Carli, the treasury minister, to cut spending. In last May's mini-budget, designed to plug this year's growing gap between income and revenue, Mr Marini was asked to prepare proposals, which should have been ready by mid-June.

While the latest agreement is a step forward, its effect will not be felt for some time. The proposals envisage that the final stage in the rise in pensionable age for men will only be introduced in 2005. For women, who currently receive pensions at 55, the final step to 65 will not come into effect until 2015.

● President Francesco Cossiga yesterday launched a bitter personal attack on Mr Paolo Cirino Pomicino, the budget minister. Calling Mr Cirino Pomicino "an illiterate", the president added: "Someone must have talked to him about Keynes, and his theories on spending, and therefore he calls himself a Keynesian because he spends so much. We ought to give him a biography of Keynes, but first we should have it translated it into Neopolitan."

CONTRACTS & TENDERS

India takes a scythe to its trade curbs

By K K Sharma in New Delhi

INDIA yesterday announced important structural reforms in its foreign trade policy that will eliminate a complicated web of controls on imports and exports and pave the way for a more open economy.

The announcement, made by Mr P. Chidambaram, the commerce minister, also aims at making the rupee convertible for trade purposes in three to five years.

The reforms are obviously meant to send another strong signal to the international lending agencies that the government is taking quick decisions to liberalise the economy in the hope that the International Monetary Fund will sanction a substantial loan to enable India tackle its current balance of payments crisis.

Mr Chidambaram said yesterday that he had held discussions with the prime minister and finance minister on lifting curbs recently imposed on imports by exporters.

India's protective tariff structure is to be reviewed and any resulting changes are expected to be announced in the budget on July 24.

The two main reforms announced yesterday are the withdrawal of subsidies on exports and the linking of foreign exchange allocations for imports to export effort.

The withdrawal of the subsidies on exports follows the two-stage devaluation of the rupee earlier this week, since this will increase rupee earnings of exporters by nearly 20 per cent. It will also save the government about Rs20bn (£481m) and thus help bring down the huge budgetary deficit, an IMF requirement.

A new instrument, to be called Exim scrip, has been introduced, through which all exporters will be entitled to foreign exchange for imports up to 30 per cent of the freight-on-board value of their exports.

This replaces "replenishment licences" which entitled exporters to make imports. Like the replenishment licences, the Exim scrip can be freely traded and is thus an additional source of income for exporters who do not need it for import purposes.

Mr Chidambaram said the government aimed at removing all import licensing for capital goods and raw materials in three years.

Much of the elaborate structure of controls on foreign trade was dismantled yesterday. The foreign trade policy changes are part of planned overall economic reforms and are to be followed by changes in fiscal and industrial policy, to include easing of curbs on foreign investment. Studies on these are under way.

Mr Chidambaram said that the "bewildering number" of administrative controls and licences in India's trade policy had led to "delays, waste, inefficiency and corruption".

UN sends new investigation team to Iraq

By Our Middle East Staff

A FRESH team of United Nations investigators will travel to Baghdad as the UN Security Council meets today to discuss formulating another resolution to force access to suspected Iraqi nuclear sites.

Security Council members are expected to act swiftly on a report presented by a three-man mission which left Iraq on Wednesday after failing to gain access to all Iraq's suspected nuclear facilities.

Mr Rolf Ekeus, who headed the special mission, said in Geneva that a 37-member team would leave their base in Bahrain, the third group of UN inspectors to visit the country seeking to ensure Iraqi compliance with the terms of UN resolution 687.

Mr Ekeus's team yesterday discussed their findings with Mr Javier Pérez de Cuéllar, the UN secretary general, during a meeting in Geneva. "It's up to the Security Council to draw conclusions," he told reporters.

The US has accused Iraq of concealing nuclear weapons technology outlawed under resolution 687 and of under-reporting its stocks of chemical and ballistic weapons.

However, although the Pentagon has laid contingency plans to bomb suspected Iraqi nuclear installations, the next step in attempting to prise open the doors to suspected Iraqi nuclear sites is likely to come in the form of a tough resolution to back the latest inspections. This is likely to contain at least a warning to Iraq and possibly a near-ultimatum to comply with UN demands.

Mr Ekeus yesterday declined to say whether the Iraqi authorities had promised to be more co-operative during future UN visits. The team complained during their trip that they had been refused permission to inspect a convoy suspected of containing equipment or materials which might be used in the production of nuclear weapons.

However, in Baghdad, Mr Saadoun Hammadi, the Iraqi prime minister, repeated a promise to give UN teams unlimited access to nuclear sites. "We have explained to the mission that the government is ready to meet all requests for inspection in any place in Iraq with the appropriate speed and method," he was quoted by the official Iraqi News Agency as saying.

Mr Hammadi also rejected the charge made earlier this week by President George Bush that President Saddam Hussein had lied about a secret nuclear programme. "Iraq has accepted all Security Council resolutions," he said.

Mr Ekeus confirmed that the destruction of Iraq's ballistic missiles, also called for in resolution 678, was proceeding as planned. Iraqi authorities had declared 63 missiles which would be destroyed.

ANC under fire for being badly organised

By Patti Waldmeir in Durban

MR Alfred Nzo, secretary general of the African National Congress, has admitted crippling weaknesses in the organisation, in a confidential report which criticises the ANC in the sharpest possible terms.

The report, presented on Wednesday to the organisation's national conference in Durban, stunned delegates with its bluntness. "We lack enterprise, creativity and initiative," Mr Nzo told 2,000 delegates gathered for the five-day conference, adding: "We appear very happy to remain pigeon-holed within the confines of populist rhetoric and clichés."

Mr Nzo's comments went beyond the sharpest criticisms of outside observers, and reflected a degree of candour rare within the secretive and extremely defensive ANC. Mr Nzo himself is viewed within the organisation as weak and ineffective, and is not expected to gain re-election to the post of secretary general when a leadership poll is held later this week.

He is in no way a maverick figure, and his comments are likely to represent the views of most of the current ANC leadership.

This week's conference, the first to be held since the ANC was unbanned 17 months ago, has been called to seek ways of strengthening the organisation, which has suffered numerous tactical reverses in negotiations with the Pretoria government.

The slow growth of ANC membership – especially among the country's 5m whites, 3m coloureds and 1m Indians – is also a central issue at the conference. Mr Nzo admitted that the ANC was "not making much progress" in minority communities. He attributed this failure to the perception that the ANC is as an overwhelmingly African organisation and, even more damningly, to its alliance with the South African Communist Party (SACP), which has few adherents in the largely conservative non-black communities.

The ANC staunchly defends its alliance with the SACP, its oldest partners in the liberation struggle, but Mr Nzo's comments give the first indication that the organisation recognises the political disadvantages of such an alliance.

He also highlighted the weaknesses of the ANC's campaign of mass action, which with the erosion of economic sanctions will soon become the organisation's main strategic weapon against Pretoria.

Mr Nzo provided attendance figures for recent rallies which showed that support has been embarrassingly small. He attributed this to poor advance preparation for marches and rallies, which are badly advertised and organised, and likely to start hours after the advertised time. "The same forms of activity are repeated for the same demands," he added.

Mr Nzo concluded: "Clearly we have not utilised our full potential to mobilise millions of our people into effective action," and he warned that the ANC was in danger of being "removed from the leadership pedestal it now occupies".

Confusion over Kuwaiti bank deals

By Victor Mallet, Middle East Correspondent

CONFUSION in the Kuwaiti banking system deepened yesterday when it emerged that at least one local bank had settled its inter-bank obligations to other financial institutions in the country despite a last-minute central bank decision to postpone clearance of such deals.

Burgan Bank, in which the Kuwaiti government has a stake of more than 50 per cent, said it made three dollar payments outstanding from before the Iraqi invasion of August 2 last year, but because of the central bank ruling on Wednesday it did not receive the three dollar amounts it was owed.

Burgan Bank officials said it had enough liquidity to cope with the shortfall.

The confusion over inter-bank settlements, however, underlines the hesitant manner in which the central bank has attempted to tackle the problems facing the Kuwaiti banking sector.

"This time it went a bit too far," said one banker. The banks assume that insufficient funds somewhere in the system prevented all the deals from going ahead. No new date for settlements has been set.

Kuwaiti banks have restored most normal commercial services, and they want the inter-bank market to be unfrozen so they can fix lending rates and provide forward cover to importers.

● Kuwait said yesterday it was making redundant thousands of non-Kuwaiti civil servants, Reuter reports from Kuwait City. "We don't have as much money as we used to," said Mr Abdul-Aziz al-Zeben, head of the civil service commission.

Lebanese troops take cover in fighting yesterday with Palestinian guerrillas for control of the village of Mieh Mieh

Lebanon says it has peace deal with PLO

THE LEBANESE government said last night it had reached agreement with the Palestine Liberation Organisation to allow the Lebanese army to deploy peacefully in south Lebanon, after four days of artillery and machine gun battles which left at least 65 killed and 104 wounded, writes Lara Marlowe in Sidon and Reuter in Beirut.

Mr Abdullah al-Amin, minister of state, said after more than six hours of talks with PLO officials in Sidon that agreement had been reached to allow the army to impose government authority in the area.

Lebanon did not want to allow the establishment of demarcation lines around the Sidon refugee camps holding some 10,000 Palestinian guerrillas loyal to Mr Yassir Arafat, the PLO chairman. Mr Arafat had called for an end to "the massacre of the Palestinians", but there was no immediate confirmation of the deal from the PLO side.

The government has also appointed a two-man liaison committee to resolve the question of Palestinian "civil and social rights" in Lebanon.

Yesterday's more intense battles made it apparent that the army would not enjoy the quick, tidy victory which cabinet ministers had predicted. Sniper fire rattled through the ravines along the Ain el-Dib-Jinsinaya-Kraye road – the back way to Mieh Mieh camp – and a tank fired shells into Ein Helwe camp from below the 30-foot steel statue of the Virgin Mary at the Christian village of Magdousheh.

Two days ago, the army drove the Palestinians out of Magdousheh. The Virgin now brandishes a Lebanese flag in her raised left hand. From their sand-bagged positions near the base of the statue, the army gunners can see the entire expanse of Ein Helwe and Mieh Mieh – home to more than 100,000 refugees.

Troops in the village of Mieh Mieh are just a few yards from guerrilla shelters in the adjacent refugee camp. No-one moved in the streets as machine gun, rocket and shell fire disturbed the afternoon.

Ministry confirms loans to Japanese gangsters

By Robert Thomson in Tokyo

A SENIOR Japanese Finance Ministry official told a parliamentary panel yesterday that affiliates of Nomura Securities and Nikko Securities lent a total of Y36.2bn (£162m) to a gangster group, the first government confirmation of the amounts involved.

Meanwhile, the ministry was yesterday still considering how to discipline the two broking houses for providing the funds to the former head of the Inagawakai syndicate, Mr Susumu Ishii.

Ministry officials would like to force the companies to suspend trading in their corporate sales division for at least two days, but fear that such a move could further weaken an already shaky Tokyo stock market.

Mr Takao Hotta, director of the ministry's securities companies division, told a House of Councillors audit committee that Nomura Finance and Nikko Credit reported that they lent Y16bn and Y20.2bn respectively to the gangster group.

He said the brokerages deserved particularly harsh criticism because they were aware that the government had increased its efforts to limit the flow of funds to gangster organisations.

Ministry officials indicated yesterday that they would keep secret the names of corporate clients unfairly compensated by Nomura and Nikko and by the other two members of Japan's Big Four houses, Yamaichi Securities and Daiwa Securities.

Hitachi, the electronics company, was listed yesterday by Japanese newspapers as having received compensation for trading losses, but the company said that it had never requested compensation.

Israel wants US to increase military aid

By Hugh Carnegy in Jerusalem

ISRAEL HAS asked the US to increase its annual grant of $1.8bn (£1.12bn) military aid to $2.5bn and invest more in the country's military industries to ensure it keeps its lead over Arab countries in arms quality, Mr Moshe Arens, the defence minister, said yesterday.

Addressing a visiting group from the Zionist Organisation of America in Tel Aviv, Mr Arens said the US was not honouring its commitment to maintain Israel's "qualitative edge". The value of the annual $1.8bn was being eroded in real terms year by year, he said, and should be increased by 40 per cent.

His demand was in direct opposition to a call made yesterday in Cairo by Mr Amr Moussa, the Egyptian foreign minister, for all states in the Middle East to be treated equally by arms suppliers. He was speaking in advance of a meeting in Paris later this month of the five permanent members of the UN Security Council to consider Middle East arms control proposals put forward by President George Bush.

Israel is receiving an additional $700m in military grants this year to offset extra costs caused by the Gulf crisis, but this is not due to recur. Mr Arens said he had made the request for a permanent upgrade in recent talks with Mr Dick Cheney, the US defence secretary.

"There isn't a single significant piece of equipment that is being sold only to Israel and not to any of the Arab armies. The commitment to assuring Israel a qualitative advantage is not being met and cannot be met as long as this is American policy," Mr Arens said.

However, Mr Moussa said: "Precarious asymmetries cannot continue.. in a region striving for a comprehensive peace." He called for the removal of nuclear, chemical and biological weapons from the region, and a UN mechanism to verify compliance. His proposals reflected the primary concern among Arab states that any arms control measures should neutralise Israel's role as the region's only nuclear-capable nation. Conventional weapons – which Israel wants at the top of the arms control agenda – did not feature highly in Mr Moussa's proposals.

Li Peng, the Chinese prime minister, said in Cairo on Tuesday that all Middle East countries should reduce their weapons "in a balanced way and ban the use of nuclear, chemical and biological weapons and destroy all they hold".

China, a big arms supplier to Arab states, would continue to support the Arab and Palestinian people, said Li, who is on a tour of six Arab countries. But he also urged them to respect Israel's sovereignty and security.

Africa aid office plea rejected

MR Javier Pérez de Cuéllar, the UN secretary general, has turned down an appeal by aid agencies for the revival of the Office for Emergency Operations in Africa (EOA), Michael Holman writes.

The decision, taken in Geneva on Wednesday at a meeting of UN agencies, donor governments and aid agencies, has prompted an angry response from European and US charities.

First set up under UN auspices in January 1985 in response to the 1984-85 Africa famine, the OEOA was disbanded in 1986. Aid officials say that unless there was an "aid supremo" capable of cutting through red tape, and ensuring better co-ordination of relief efforts, the toll could exceed the 1m people thought to have died in 1984-85.

Sino-British understanding over Hong Kong airport

The following is the text of the memorandum of understanding released yesterday "concerning the construction of the new airport in Hong Kong and related questions".

AFTER friendly discussions in Beijing between representatives of the government of the United Kingdom of Great Britain and Northern Ireland and representatives of the government of the People's Republic of China from 27-30 June 1991, the two governments, bearing in mind

● the urgent need for a new airport in Hong Kong in order to ensure and develop its prosperity and stability,

● the need for the airport project to be cost-effective and not to impose a financial burden on the government of the Hong Kong Special Administration Region of the People's Republic of China after 30 June 1997, and

● the need for practical and workable arrangements to allow work connected with the new airport to be carried out speedily and efficiently,

have reached the following understandings:

A. Between now and June 30 1997 the Hong Kong government will complete the airport core programme projects listed in the annex to this memorandum of understanding to the maximum extent possible. The Hong Kong government will be responsible for the construction of projects covered by this memorandum up to 30 June 1997.

B. The Chinese government will support the construction of the new airport and related projects. It will indicate clearly to interested potential investors in accordance with the principles enshrined in this memorandum that obligation related to the airport projects entered into or guaranteed by the Hong Kong government will continue to be valid and be recognised and protected by the Hong Kong Special Administrative Region government from 1 July 1997.

The Chinese government have accepted that the Bank of China will play an appropriate part, for example in the syndication of loans for the airport projects, and that Chinese construction firms may complete in the normal way for projects connected with the airport.

C. On important matters relating to the airport projects that straddle June 30 1997, the Chinese and British governments will carry out consultations in a spirit of co-operation and in accordance with the Sino-British Joint Declaration. An airport committee will be constituted for this purpose under the auspices of the Sino-British Joint Liaison Group, with membership drawn equally from both sides. Its tasks will be as follows:

(i) The British side will consult the Chinese side within the airport committee before the Hong Kong government grants major airport-related franchises of contracts straddling June 30 1997 or guarantees airport-related debt straddling June 30 1997. The Chinese side will adopt a positive attitude to such grants, contracts and guarantees. Up to one month after the British side provide details of the proposals will be allowed for discussion between the two sides in each case. Any decision will give full weight to the Chinese government's views. The governing criteria in the case of a decision on a franchise will be the profitability and efficiency of that franchise;

(ii) The British side will consult the Chinese side within the airport committee before the Hong Kong government proceeds with any major airport project other than those in the annex to this memorandum and any of the current airport core programme projects in the annex for which the bulk of government expenditure will fall after June 30 1997. Such projects will only be initiated if the two sides have reached a common view concerning them.

D. The Chinese government will adopt a positive attitude to necessary and reasonable borrowing by the Hong Kong government to be repaid after June 30 1997. If the total amount of debt to be repaid after June 30 1997 will not exceed HK$5bn [£396m], the Hong Kong government will be free to borrow as necessary while informing the Chinese government. If the total amount of such debt will exceed HK$5bn such borrowing will only proceed if a common view has been reached concerning the proposal.

E. On the basis of the above understanding the Hong Kong government will plan its finances with the firm objective that the fiscal reserves on June 30 1997 to be left for the use of the Hong Kong Special Administrative Region government will not be less than HK$25bn.

F. In order to facilitate the construction of the new airport in Hong Kong there will be established an airport authority and a consultative committee.

(i) The Airport Authority Ordinance will be modeled as far as possible on the Mass Transit Railway Corporation Ordinance. The Hong Kong government will retain power to direct the authority and responsibility for key areas of policy up to June 30 1997. The Hong Kong government will be willing to consider and take into account views of the Chinese side when the Hong Kong government is drawing up the draft bill on the authority.

(ii) The Hong Kong government is willing to appoint a Hong Kong based individual from the Bank of China Group to sit as a full member on the board of the airport authority. This member will have equal rights with other members. The Chinese side will no doubt give the Hong Kong government some suggestions as to who this member should be.

(iii) The Hong Kong government will set up a consultative committee on the new airport and related projects. The committee may discuss any relevant matter but will have no decision-making power. It should not delay the progress of the projects.

(iv) The Hong Kong government will inform the Chinese side of the members of the airport authority and consultative committee whom it is proposed to appoint, and will be willing to listen to any views that the Chinese side might have, before deciding on the appointments. The Hong Kong government is willing to consider the appointment of a vice-chairman of the airport authority about two years after its establishment.

G. Both governments wish to intensify consultation and co-operation over Hong Kong issues in the approach to July 30 1997. As part of this intensified consultation, the British foreign secretary and the Chinese minister for foreign affairs will meet twice a year to discuss matters of mutual concern and the director of the Hong Kong and Macao Office under the State Council and the governor of Hong Kong will also hold regular meetings.

This memorandum of understanding will come into operation on signature by heads of government.

This record represents the understanding reached between the government of the United Kingdom of Great Britain and Northern Ireland and the government of the People's Republic of China upon the matters referred to therein.

HISTORY OF THE HONG KONG AIRPORT PROJECT

1974	HK$5bn new airport mooted
1983	Plan abandoned for cost reasons
1987-88	Studies re-opened for late-1989 decision on combined port development called PADS
June 1989	China's Tiananmen Square crisis - Massive Hong Kong democracy marches
Oct 1989	HK$127bn airport and port developments launched - presented as part of post-Tiananmen confidence
Dec 1989	First indications of Beijing reservations on airport
Jan 1990	Chinese premier Li Peng warns of concern over post-1997 PADS debt and says no China funds available
Apr 1990	Beijing orders its own study on airport and requests information from Hong Kong government - Hong Kong maintains China has no right to a say
Oct 1990	Hong Kong snubs China by announcing, on eve of arrival of high-level Beijing delegation, that it will build HK$12bn bridges to airport in public sector to avoid needing China's approval
Dec 1990	Row escalates as Hong Kong presses ahead with initial
Feb 1991	tenders and China demands scaling down of project
Apr 1991	UK foreign secretary Douglas Hurd fails to break impasse on Beijing visit
May 1991	British officials reach deadlock in Beijing
Jun 1991	Deadline for calling key tenders approaches
Jun 5 1991	Sir Robin McLaren, new UK ambassador, arrives Beijing
Jul 4 1991	Agreement announced after visit to Beijing by Sir Percy Cradock, personal envoy of UK prime minister John Major

Accord to be signed during Major visit

By Alison Smith

THE memorandum of understanding on the Hong Kong airport will be signed by Mr John Major later this year when he becomes the first senior western leader to visit China since the massacre in Tiananmen square in June 1989.

In a statement welcoming the announcement, Downing Street said Mr Major was happy to pay an early visit to China at the invitation of Li Peng, the Chinese premier "to discuss bilateral and international matters", and would visit Hong Kong at the same time.

The discussions are likely to include international arms controls, in which China has a central role as a permanent member of the United Nations Security Council.

The agreement, Downing Street said, would "allow Hong Kong to construct a modern airport to meet its growing needs as an economic and financial centre", and was "a mark of confidence in the territory's future and a good example of co-operation between China and Britain in promoting Hong Kong's interests".

In a statement to the Commons, Mr Douglas Hurd, the foreign secretary, said that the Chinese had now accepted the British proposal, made in April, that he and his counterpart should meet every six months to discuss Hong Kong and other issues.

Meetings between Sir David Wilson, the governor of Hong Kong, and Lu Ping, the senior Chinese official dealing with the territory, would also be put on a regular basis.

The UK suspended visits to China in June 1989, though Mr Hurd visited Beijing earlier this year. Restrictions on the sales on military equipment, which the UK introduced at the same time, are still in force.

Though the memorandum of understanding will not come into effect until signature, Mr Hurd said that the Chinese had made it clear that they would not object to urgent work on the airport going ahead. Co-operation would intensify as 1997 approached, Mr Hurd added, but until then, the Hong Kong authorities would administer the territory.

Mr Hurd emphasised that the Chinese had done more than just acquiesce in the project, and had "expressed in the clearest possible terms their support". Without their agreement, he said, the private finance which was an element of the project would not have been forthcoming.

He acknowledged that there would still be difficult problems in the run-up to 1997, but said that the announcement offered a much better chance than before of tackling them.

Agreement came after a visit to Beijing at the end of last month by Sir Percy Cradock, the prime minister's personal adviser on foreign policy.

AMERICAN NEWS

Progress likely on IMF link for Soviet Union

By Peter Norman, Economics Correspondent

PRESIDENT Mikhail Gorbachev can look forward to plenty of advice on how better to manage the ailing Soviet economy when he meets western leaders after their economic summit in London later this month.

But, according to senior British government sources, financial assistance will not be on offer when he arrives in London on July 17 to meet the Group of Seven leaders.

Instead, it is likely that progress will be made towards offering the Soviet Union a special relationship or "associate status" with the International Monetary Fund.

That would give the Soviet Union access to technical advice and IMF and World Bank training schools. It would also permit the IMF to carry out regular appraisals of the Soviet economy.

"I think it is understood generally and it is understood in Moscow that the summit is not an occasion for financial assistance decisions and I do not expect that people will be coming to London with that sort of request," one UK official told a pre-summit briefing yesterday.

Instead, the leaders of the seven summit countries will want to hear what Mr Gorbachev has in mind for his economy: "I am sure Mr Gorbachev will want to set out in detail and precisely for the leaders his plans for carrying forward economic reform, political reform, constitutional reform in the Soviet Union."

The UK has gone to considerable lengths to ensure that Mr Gorbachev will not come to London with false hopes. London disclosed yesterday that Mr Nigel Wicks, the senior civil servant charged with preparing the summit, met him in Moscow on Monday to brief him on arrangements for the summit.

Four US presidents carved in stone at Mount Rushmore overlook President George Bush as he addresses the crowds that gathered at the mount on July 3 to celebrate the 50th anniversary and dedication of the national monument

Corruption row hits Argentine air force

By John Barham in Buenos Aires

ARGENTINA'S air force is in ferment, with its leadership riven by a dispute over corruption and mounting discontent among junior officers.

On Wednesday, Brigadier José Juliá, the air force commander, ordered the house arrest of his second-in-command, Brigadier Tomás Rodríguez, for intimating that he and other officers were implicated in irregular air force purchases.

Yesterday, officers were huddled in meetings at air bases throughout Argentina debating Brig Juliá's future. Discontent is growing over low budgets and wages, and junior officers are unhappy about commanders whom they accuse of not doing enough to defend military spending and who are suspected of corruption.

Yesterday, Brig Rodríguez carried out a threat to send documents to the civilian courts accusing fellow officers of corruption. A civilian judge is already investigating allegations that air force officers operated a smuggling ring.

In a separate case, nine other senior officers, including the air attachés in Paris and Washington, are also under house arrest after an inquiry headed by Brig Rodríguez accused them of negligence in awarding a contract for 10 instrument landing systems.

The nine are expected to either resign or be drummed out of the service. Brig Juliá said: "No crime or anything like it was committed. There is simply the possibility that errors were made." He said the officers would not have to stand trial because they had not committed a crime.

A diplomat said yesterday: "There is a power struggle for control of the air force. A lot of people at the top are involved in corruption and smuggling. The question is how far will [President Carlos] Menem support Juliá."

States close services

By Peter Riddell

MOST state-run services in *Maine and Connecticut have* been closed down as a result of deadlocks in fixing budgets for the fiscal year that started on *Monday*.

A few other states, including Illinois, Louisiana, Massachusetts, North Carlina, Ohio and Pennsylvania, are also without an agreed budget, though they have not ordered an immediate shutdown of services. California was yesterday on the brink of finalising a $14.3bn deficit reduction package.

The fiscal problems faced by many of the 50 US states have *never been more acute, as a* result of greater responsibilities, shifted from Washington, rising demand for welfare services and lower than expected revenue due to the recession.

State legislatures are reluctant to adopt plans involving tax increases and cuts in existing entitlement programmes.

In Connecticut, Governor Lowell Weicker has ordered the shutdown of all but essential services. All but 2,000 of Maine's 13,000 workers have been sent home.

US backs Antarctic mine ban

AUSTRALIA and New Zealand yesterday welcomed a surprise US decision to sign an accord banning mining in the Antarctic for at least 50 years, Reuter reports. Australia, France and *New Zealand were the key* backers of the initiative.

The US, which had blocked agreement at a *Madrid* meeting last month, agreed on Wednesday to sign the pact with the other 38 Antarctic Treaty nations.

However, the US has secured a clause allowing an end to the *ban after 50 years if 75 per cent* or more of the 26 treaty nations with full voting rights agree.

Colombia takes human rights to heart

The new constitution enshrines protection and participation, writes **Sarita Kendall**

COLOMBIA has a voluminous new constitution, despite a last-minute computer tangle which *nearly demolished five months* of work. Amid the rhetoric about historic moments and transcendental reforms, it contains two *fundamental* principles – political participation and human rights.

The democratic fiesta will now be followed by five months of presidential rule without a legislature. Congress has been dissolved and new representatives and senators are to be elected on October 27. Until Congress resumes in December, President Cesar Gaviria will govern by decree, with a 36-member legal commission empowered to veto laws and advise him.

As if to try to exorcise the past, the constitution is packed with references to civil rights – not just the right to live, which has been so consistently and brutally violated, but consumers' rights, Indians' rights, *children's rights and the right* to peace.

A sudden rash of guerrilla violence – including a dozen attacks on oil installations – during the last days of the constitutional assembly disturbed the lull that had *followed the surrender of Pablo* Escobar, leader of the so-called Medellin cartel drugs ring, and other traffickers. It was a reminder that Colombia's problems are more than just constitutional.

Although the constitution does not change Colombia's institutional framework – leaving the country with a president and two-house legislature – there are significant changes in many areas: the assembly will curb congressional corruption by cutting off the discretionary funds (budget allocations to congressmen) used to buy political support and by prohibiting family slates.

Congressional candidates will also have to resign from any government-linked job or contract. Cabinet ministers will be able to be censured and forced out by Congress.

The judicial system has been changed to one modelled on the US system, with a public prosecutor and public defender. The attorney-general's office will have greater powers to investigate corruption and to look after *consumer and environmental* interests.

Presidents will no longer be able to govern indefinitely with virtually unlimited state-of-siege powers: the new constitution restricts the state of *siege to 90 days; civil liberties* cannot be suspended and senate approval has to be given for a further 90-day period. Special decrees can also be issued to cope with a social, economic or ecological emergency.

For the first time, Colombia's Indians have been represented in a nationally-elected body. An Indian delegate to the constitutional assembly, Lorenzo Muelas, said he was pleased that Indian rights and languages had been recognised.

"But when we touch our deeper economic problems and long-term territorial needs there is resistance. We are supposed to come here and then go quietly back to our communities. I have got here cutting the first trail and others will come after. We've won a political space." Indians have been allocated two senate seats.

An *anxious finance minister* bustled in and out of the assembly, trying to prevent too *many* "goals" against the government as delegates approved infant health care, pensions and other expensive commit*ments without specifying* where the funds would come from.

"The decentralisation proposed is revolutionary – transferring 42 per cent of the budget to departments and municipalities for health and education and services," said Mr Rudolf Hommes, finance minister. "The period of adjustment will be difficult, but it's more democratic."

Otherwise, the shape of the economy remains much the same, with greater emphasis on participation in planning. This is a relief to businessmen, who feared that the former guerrilla movement, M-19, *might use its considerable vote* to erode the private sector.

The central bank, already in the throes of a big upheaval as part of efforts to liberalise its foreign exchange system, will be more independent of government policy in future, though the details of how this is to be done are not yet clear.

The political system has opened up considerably with governors of departments to be elected for the first time. The new constitution also allows *for national and local referenda.*

The assembly's anti-extradition vote and Mr Escobar's subsequent surrender were a watershed. On Wednesday the "extraditables" – drug dealers formerly eligible for extradition to the US – issued a communiqué announcing that the military wing of the Medellin cartel was being disbanded as a result of the assembly's decision.

Mr Humberto de la Calle, interior minister, said the government is "very satisfied". However, critics are already picking the new constitution apart for its unwieldy size, lack *of coherence and timidity – for* example, the clauses dealing with the armed forces are almost unchanged.

Rebels step up attacks before talks

LEFTIST guerrillas killed a judicial official, ruptured Colombia's main oil pipeline and dynamited bridges and electricity towers yesterday, AP reports from Bogotá.

The new attacks came days before a second round of peace talks between the government and the two remaining active guerrilla groups, the Revolutionary Armed Forces of Colombia, or FARC, and the National Liberation Army, or ELN.

The guerrillas failed to reach a ceasefire agreement with government officials in recent talks in Caracas, Venezuela. New negotiations are to begin on July 15.

About 80 rebels shot and killed a municipal judge during an attack on the town of Jerico, 125 miles north-east of Bogotá, according to a local police report.

Another group caused a spill of 7,000 barrels of crude oil *yesterday when they dynamited* the country's main pipeline, according to the state petroleum company Ecopetrol.

WORLD TRADE NEWS

Australian group in telecom deal with Kazakhstan

OTC, the Australian telecommunications group, said it had signed an agreement with the Soviet Republic of Kazakhstan for an undisclosed *sum to co-operate* in the development and management of its international communications network, Reuter reports from Sydney.

Under the five-year contract, OTC would install a digital *earth station to provide international* telephone and facsimile services for Kazakhstan.

OTC said it would also install a digital international exchange and undertake an extensive training programme *in Kazakhstan to expand local* telecommunications expertise.

"The new agreement with Kazakhstan...is an important foothold for Australia in the Soviet communications market," Mr Steve Burton, OTC's *managing director, said.*

OTC, which is wholly-owned by the Australian government, signed business agreements in the year to June 30 worth about $350m (£218.7m) and holds long-term contract in countries *throughout* the Asia-pacific region.

Kazakhstan has a population of 17m and is the site of the Soviet Union's main space centre.

The Soviet Union's *need for* western technology, as well as money, has meant that the market is becoming a battleground for top western manufacturers. West Germany's Siemens, France's Alcatel, *Sweden's Ericsson, AT&T of* the US and Canada's Northern Telecom have all been seeking to negotiate joint ventures with local companies across eastern Europe.

These deals usually involve *the western partner providing* technology and finance for new equipment and the eastern partner providing engineers, premises and market access.

In April, AT&T announced it was installing a satellite link *with the Soviet republic of* Armenia.

That deal, along with the OTC's stan, are significant politically in that they signal a weakening in the the Kremlin's hold on the Soviet Union's *telecommunications* system.

Hughes wins Saudi defence contract

By David White, Defence Correspondent

A CONTRACT worth $837m (£523m) to replace Boeing in supplying Saudi Arabia with command and control systems for the country's air defence has been won by the rival US company Hughes Aircraft.

Hughes, which is part of the General Motors group, secured the deal at the end of a six-month competition in which it was pitched against Westinghouse and Unisys. Westinghouse had been a key sub-contractor to Boeing under the original deal.

The sophisticated air defence network, known as Peace Shield, is being supplied to Saudi Arabia through the US Air Force, which has responsibility for overseeing the contract.

Boeing won a $1.05bn contract for the programme in 1985, in preference to Hughes.

But in January this year, the bulk of Boeing's contract was cancelled because of delays in deliveries. Boeing contested the decision, arguing that it was not in default of its contract.

The USAF's Electronics System Division subsequently let out study contracts to Hughes, Westinghouse and Unisys as alternative suppliers.

Boeing is to continue work on installing and maintaining radars under the programme.

● Taiwan Fertiliser, the state-owned group, is to build a $200m plastics material plant in a joint venture with Saudi Basic Industries, the state-run Saudi Arabian industrial group, in a move designed to buttress bilateral ties, Reuter reports from Taipei.

Taiwan Fertiliser will take a 50 per cent stake in the venture. The plant will have an annual output of up to 150,000 tonnes of ethyl hexanol.

● Marubeni, the Japanese trading company, and the UK's John Brown Engineering have received orders worth $600m for 20 electric-generating turbines from a state-owned Iranian power company, a Marubeni official said yesterday, AP-DJ reports from Tokyo.

The Tavanil company of Iran is building power plants in Shiraz and three other regional cities.

Greek exporters forced to take long route

Turmoil in Yugoslavia has increased Greece's sense of isolation, writes **Kerin Hope**

BY midsummer, Mr *Thomas Katsiamakas*, a peach exporter in northern Greece, is usually seeking extra transit permits for Greek refrigerator trucks to cross Yugoslavia. This year, he is working out alternative routes to the Munich fruit market.

"The road is still safe as far as Belgrade," he says. "From there the drivers head for Hungary and the long way round."

Another choice is a slow haul over the Pindus mountains to the western Greek port *of* Igoumenitsa and a ferry to *southern Italy. Either route* adds "at least 24 hours and another 25 per cent to the cost of reaching Germany."

For Greek exporters, political turmoil in Yugoslavia underlines an existing feeling *of being isolated from the rest* of the European Community.

Ireland will soon be the only other member-state lacking a land border with a Community partner now the Channel tunnel is under way. "The sea may be rough but *it's only a short* distance to a big market. Every kilometre makes us less competitive," says Mr Katsiamakas.

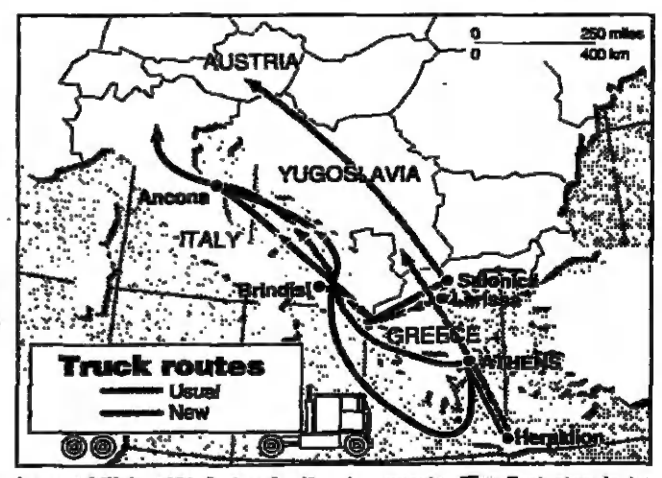
Accession to the EC in 1981 changed radically the patterns *of Greek trade. Previously,* only 40 per cent of trade was with the Community. Arab countries accounted for 20 per cent and eastern Europe for about 10 per cent, in spite of the inflexible clearing agreements then in force.

Last year EC transactions – mainly with Germany and France – accounted for 64 per cent of total trade amounting to $27.8bn (£17.3bn). The Arab countries' share shrank to only 5 per cent. According to Greek exporters, this reflected both a steady decline in Arab consumer demand, even before the Gulf crisis, and the squeezing out of Greek manufactured goods by cheaper east European products.

However, a similar decline in trade with eastern Europe was partly reversed in 1989-90 as the inter-state agreements with communist governments collapsed, to be replaced by an *entrepreneurial free-for-all.*

"It's survival of the fittest now, but there are real opportunities in Hungary, Romania and Bulgaria for anyone who's prepared to take a few risks and try barter," says Mr Sifis *Paparigos, who owns* an export-import company in northern Greece.

At the same time, EC membership triggered a sharp rise in imports from western Europe as tariff barriers came *down. These ranged from food* to furniture and brand-name consumer goods. Export earnings covered 50 per cent of the



import bill in 1981, but only 41 per cent in 1990.

The trade deficit reached a record $11.2bn in 1990. This year, however, exports showed a 23 per cent increase in the first five months, while the rate of import growth slowed sharply.

Slackening demand as the conservative government's economic stabilisation programme begins to bite should restrain imports for the rest of the year. The trade ministry's task is to ensure that export growth can be *maintained.*

"After a long period of stagnation it's hard for producers to make the necessary switch to exports. The first step is to remove the disincentives," says Mr Sotiris Hatzigakis, the foreign trade minister.

Surcharges on bank loans to exporters have been abolished. A complicated web of bureaucracy that required exporters to spend weeks obtaining 20 different documents was recently simplified. Now a single all-purpose form can be issued in one day.

However, plans for a state-owned export-import bank are on hold because of a freeze on public sector expansion. Meanwhile, the trade ministry is trying to encourage the establishment of specialist trading companies which could help smaller producers start exporting.

Still, the prospect of prolonged chaos in Yugoslavia will remain a disincentive unless the government is seen to be actively developing alternative routes to the EC market.

Priorities in road building are being re-assessed. Two highways linking Igoumenitsa with Salonica and Larissa, both agricultural and manufacturing centres, are planned but much of the funding would have to come from the Community.

Port facilities in western Greece are considered adequate to handle increased traffic, but fruit exporters are already complaining of a shortage of ferries.

Another pressing concern is to promote trade on a sound footing with both Albania and Bulgaria. "The situation in both countries is rather confused at present, but we can't *afford to ignore potentially* promising markets on our doorstep," Mr Hatzigakis says.

Agreement was reached last month on a $20m revolving credit line for Albania. A similar $50m facility for Bulgaria is being *negotiated*, although up to $10m would be held back to cover old debts to Greek exporters.

Total to build $440m oil refinery in north China

TOTAL-Compagnie Française des Petroles signed an agreement yesterday to build a $440m (£275m) oil refinery in northern China, the first *foreign* company to undertake such a venture, Reuter reports from Beijing.

The company's Chinese partners will build a plant with an annual capacity of 5m tonnes, Mr Serge Tchuruk, Total's chairman, said.

The refinery will be in the port of Dalian, in Liaoning province, near China's largest oilfield, Daqing. It will also be one of the largest French investments in China, he said.

Total will take a 20 per cent stake in the project.

The Chinese partners are: the Economic and Technical *Development Corporation of* Dalian Economic and Technical Zone with a 27.5 per cent stake; Sinochem Hong Kong (22.5 per cent); Sinochem (5 per cent); Daqing Municipality (15 per cent); and a subsidiary of the Ministry of the Chemical Industry (10 per cent).

The French and Chinese partners are to make an initial investment of $280m in building the 200-hectare (494 acre) site, which is due to be in operation in the second half of 1994.

The facility will refine equal quantities of Arabian light and heavy crude oils, using only Middle East oil and aiming mainly at the Japanese, South Korean, Taiwan and Hong Kong markets.

Dalian was a desirable location because of its proximity to two of the major markets for the refined oil – Japan and South Korea.

Located next to Dalian's oil terminal which can handle tankers of 150,000 to 200,000 tonnes, the refinery would have good infrastructure and a qualified labour force, he said.

Commission attacked on steel-casting subsidies

By Andrew Baxter

THE European Commission was attacked yesterday for doing nothing to stamp out subsidies by national governments for loss-making companies in Europe's shrinking steel-casting industry.

Mr Andrew Cook, chairman of William Cook, the UK's biggest producer, said he had evidence of European steel-casting plants where loss-making capacity was being *sustained*, and even created, with the *aid* of government subsidies that either broke, or lay completely outside, EC rules.

In a forthright speech in London, Mr Cook criticised the Commission for being "completely spineless.... every job created in Portugal or the Basque county has meant at least one job lost in the UK. If a market has been destroyed as a result, one job created can mean 50 jobs lost."

His criticisms echo demands this week by Sir Robert Scholey, British Steel chairman, for significant cuts in European steel-production capacity. Many believe capacity has been brought in line with demand much more quickly in the UK than on the continent.

Mr Cook said the European market for steel castings was *shrinking. In the UK this had* been addressed by the partly government-financed Lazard programme in the early 1980s and later by William Cook's acquisition, rationalisation and investment programme.

"Yet in Spain and Portugal unwanted capacity has been created which, to maintain itself, has plundered the market at all costs."

Shipbuilders in S Korea recover from Gulf war

By John Ridding in Seoul

SOUTH Korea's shipbuilders are quickly recovering from a protracted slowdown caused by the Gulf war, the Korea Shipbuilding Association said yesterday.

New orders received in June amounted to 799,000 gross tonnes, the highest since the Gulf crisis started to affect the industry 11 months ago, the KSA said. The figure compares *with orders of 189,000 gross* tonnes in May and 130,000 gross tonnes in April.

For the first six months as a whole, however, the volume of new business is still down over last year. Between January and June this year, the volume of shipbuilding orders was 1.27m gross tonnes, compared with 3.52m gross tonnes in the same period last year.

Fight brewing over Gatt's role on the environment

By William Dullforce in Geneva

A CONFLICT over the role the General Agreement on Tariffs and Trade should play in finding solutions to world environmental issues has been foreshadowed in two studies published this week.

The International Organisation of Consumers' Unions (IOCU) said decisions on environmental problems were too important to be made in Gatt and too serious to be handled *as a side issue in Gatt's current* trade-liberalising Uruguay Round.

In contrast the World Wide Fund (WWF) for Nature, the largest international private nature conservation organisation, called on Gatt to amend its rules to take into account environmental concerns.

A debate opened up within Gatt earlier this year when the Nordic countries, Austria and Switzerland called for the revival of a working group on environment and trade.

Many developing countries saw this European initiative as an attempt to impose high environmental standards which could lead to trade sanctions against nations that failed to meet them and impede development. Other delegations were reluctant to see Gatt *tackle* green issues before it had completed the Round.

IOCU's study, Buying the Earth, which will be discussed by national consumer organisations in Hong Kong *next* week, calls for greater access to western markets for Third World processed goods to ease poverty and reduce environmental degradation.

Gloom deepens as UK recession hits industries

By Peter Marsh, Andrew Taylor and Kevin Done

GLOOM about the prospects for the UK economy deepened yesterday, as details emerged of the grim state of the housebuilding and car industries and as private-sector economists said they had become considerably more pessimistic about the outlook for the rest of this year.

In the motor sector, new car sales in June dropped by 31.2 per cent on the year, the steepest fall in the recession, which is about a year old. New car registrations, which have fallen for 21 of the past 22 months, dropped to 98,204 from 142,697 a year ago, the lowest June sales total since 1970, according to figures from the Society of Motor Manufacturers and Traders.

A survey by the Financial Times of the 10 biggest UK housebuilders said that the muted recovery in house sales which was apparent in the spring had petered out, and that the market was back to the worst levels of the recession.

The bleak news on the industrial front was buttressed by a survey of private-sector economic forecasts released by the Treasury, which said the economy would shrink by 2 per cent this year. In May, the same forecasters said the decline in growth would be restricted to 1.5 per cent.

Separately, the Item club, a London-based forecasting group which bases its projections on the Treasury's computerised economic model, said a "minor upturn in the economy at the very end of this year" is likely. This was in pointed contrast to the hopes of Treasury ministers earlier this year that a recovery would have started by about now. Item said total output would fall 2.4 per cent this year.

The findings intensified the pressures on the government over the economy. Ministers have faced repeated calls for cuts in base rates, now at 11½ per cent, to stimulate demand.

In the building industry, some companies said that potential house purchasers who had been deterred previously by high interest rates were now worrying about rising unemployment and the state of the economy.

Mr Fred Wellings, construction analyst for Credit Lyonnais Laing said: "Conditions now are the worst I have seen in 29 years of following this industry. It is posing serious problems for balance sheets which are already over-stretched. I expect a further wave of provisions when the results season gets underway."

Tarmac, Britain's biggest housebuilder, said its sales in May and June had been higher but this was compared with two very bad months for the group last year.

Most housebuilders say that sales, after rallying in March and April, had fallen. June appears to have been a particularly bad month. More than half the companies questioned said sales were at or below those of June last year.

In the car industry, new car sales in the first half of 1991 at 801,684 were 24.8 per cent lower than a year ago and have fallen by a third or 395,000 cars in two years.

Both Ford and Nissan, which together accounted for 28.7 per cent of UK new car sales in the first half of the year, have already announced far-reaching price cuts across a large part of their ranges. Vauxhall last night joined the car price war with "cash-back" offers of up to £1,500 per car.

In the Treasury survey of views among forecasters, independent economists said they thought unemployment would reach 2.55m by the end of the year. In May, they had projected the number at 2.49m.

Economic forecast, Page 12

OECD REPORT

Labour launches attack on economic policy

By Ivo Dawnay, Political Correspondent

John Smith: "The government must accept responsibility for a recession"

BRITAIN'S opposition Labour party yesterday fell upon the fine print in this week's Organisation for Economic Co-operation and Development (OECD) report as powerful ammunition in its summer blitzkrieg on the government's economic record.

Mr John Smith, the opposition spokesman on financial affairs, said the report contradicted Mr John Major's claim in April that the UK was coming out of the downturn as other countries faced deepening economic difficulties.

"The government must accept responsibility for a recession home grown and nurtured in Downing Street," he said, adding that the prime minister was personally answerable for his key role in policy-making during the years the UK has been bottom of the growth league.

Including the forecast for next year, he said the UK was set to be bottom of the league for four years – the first time time the same country had trailed for four consecutive years since OECD reports began in 1971.

Mr Smith went on to warn that the government continued to misread the causes of the recession as stemming from the cuts in interest rates made in 1987 to offset the impact of the stockmarket crash.

In fact, he argued the current downturn stemmed from the credit and spending boom begun in 1986 which echoed the Tory "boom and bust" cycles of the early sixties and seventies.

Repeating his call for a 1 percentage point cut in interest rates, Mr Smith argued for tax incentives to stimulate investment in manufacturing, an extensive training programme and a temporary work scheme to help the unemployed.

Mr Smith's attack on the government was repeated in criticism from Mr Gordon Brown and Mr Tony Blair, Labour's industry and employment spoksemen.

Concentrating on the OECD's investment figures, Mr Brown said that a "dramatic" fall of 10 per cent in UK investment for the first half and a forecast 3.4 per cent fall in the second half meant that an industry led recovery was now unlikely.

For 1992 a predicted 0.6 per cent rise in the UK had to be compared with investment increasing by substantially greater rates in all the other G7 nations ranging from 6.4 per cent in the US to 2.5 per cent in Italy.

Mr Blair underlined that the OECD report showed Britain with fastest rising unemployment in Europe both for this year and next.

He added that the OECD had also revealed the finding that inadequate training was a major reason for the UK's poor performance.

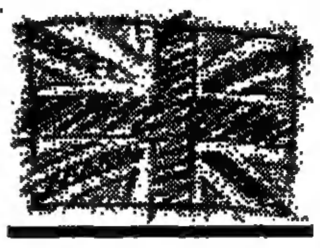
"This confirms exactly what Labour has been saying for years: that training and education are vital to our future economic success and we must invest in them," Mr Blair said.

Mr John Major, the prime minister, rejected complaints by Labour and and the centrist Liberal Democrat party about low growth and rising unemployment to insist that the UK economy would be "top of the European growth league" in the 1990s, as it had been in the 1980s.

Speaking in the House of Commons yesterday, Mr Major said he was, "proud of a record that had us top of the European growth league throughout the 1980s, and that's where we will be in the 1990s."

He denied suggestions by Mr Terry Patchett, the Labour MP, who said that this week's report from the OECD had shown "that Britain is at the bottom of the league in growth, employment and investment".

BRITAIN IN BRIEF



Northern to expand plant in Wales

Northern Telecom is to spend £28m over the next four years turning its plant in south Wales into one of the group's main European centres for *telephone production*. Northern, a Canadian company, is a leader in Europe of digital exchange equipment and data packet networking. It acquired the works last March when it took over STC, the electronics group.

Northern also plans to set up research and development facilities, as well as to expand manufacturing on the site. The investment will create another 200 jobs, taking the workforce in the plant to around 800.

MoD cuts jobs in London

About 5,000 jobs in London are due to be lost as a result of cuts in the Ministry of Defence's headquarters structure. A further 2,000 employees are scheduled to be relocated outside London under plans which include the transfer ofa large part of the MoD's procurement staff to the Bristol region.

The MoD has also confirmed its plan for a 20 per cent throughout its 140,000-strong UK-based civilian workforce. Severe cuts are also due among the 30,000 civilians engaged locally in Germany and foreign locations.

Diversification risks quality

Banks jeopardise quality of service and their reputations by diversifying too much, Lord Alexander, the chairman of the National Westminster Bank, has warned. He said that recent experience had taught banks to be more focused in their aspirations and more rigorous in ensuring that they can enhance their business.

Funds sought for centre

The National Exhibition Centre, ultimately owned by the Birmingham City Council, is to seek up to £100m from pension funds and insurance companies to finance the development of 30,000 square metres of new display space.

BR set new grant limits

New borrowing and grant limits for British Rail were proposed in a bill presented by Mr Malcolm Rifkind, the transport secretary, to enable BR to fund its growing investment programme. The BR Board (Finance) Bill sets a revised ceiling of £3bn for borrowing, and a new limit of £3bn for the Public Service Obligation grant.

Channel link start delayed

Work on the new rail link between the *Channel tunnel* and London will not start until three years after the route is announced, the transport minister *Mr Roger Freeman*, has said. "It will take a year to study the environmental impact of the route and two years to consult with local authorities and obtain planning permission," he said.

Power chief in 77% pay rise

National Power chairman Mr John Baker received a 77 per cent pay rise this year to £240,000 before bonuses, the company has revealed. It is likely to exacerbate the row over *top people's pay*. The company said that it had not released this year's figures at the time because it wanted *first to explain the situation* to its employees.

Tories attack wage plans

The Conservative party stepped up its attack on Labour's policy of a statutory minimum wage – with Michael Howard, employment secretary, denouncing it as so "extreme, dangerous and absurd" that it could lose Labour the general election on its own.

The attack by Mr Howard and two other cabinet ministers coincided with the publication of a study of 120 UK companies at which low-paid workers have received higher percentage increases than more highly skilled colleagues.

Lloyd's presses for tax break

Lloyd's of London is pressing ahead with its campaign to win more favourable tax treatment from the Inland Revenue, Mr Alan Lord, the chief executive of the Corporation of Lloyd's, said.

Mr Lord said Lloyd's recognised that its efforts to allow Names to offset insurance losses against profits earned in the previous three years had failed.

Bank may alter bond issue

The Bank of England is considering ways of changing the system of issuing government bonds as the government needs to borrow heavily over the next two years to pay for public-sector spending.

The review by the Bank applies to its procedures for selling gilt-edged securities by auction – which is one of the main routes by the Bank for placing the securities with market-makers.

Council pay deals above 8%

Local authorities that have broken away from national pay negotiations for white-collar staff are settling at levels considerably higher than the 6.1 per cent offered nationally, according to a survey. Most have settled above 8 per cent and that the median rise is 9.1 per cent. About two dozen of the UK's 450 councils have started negotiating local pay deals over the past two years.

Legislation will harmonise British law with EC

Government to strengthen UK consumer rights

By Guy de Jonquières, Consumer Industries Editor

THE British government plans to introduce a Consumer Rights Bill in the next parliament which would strengthen consumers' rights of redress over the supply of defective goods and services and impose stricter controls on misleading or dishonest marketing.

The proposals were announced yesterday by Mr Edward Leigh, consumer affairs minister, in a speech in Rotterdam. They would bring UK law into line with planned European Community regulations and put into effect several reforms advocated by government advisory bodies and consumer groups.

The Consumers' Association and the government-sponsored National Consumer Council broadly welcomed the proposals. However, the association expressed disappointment that the government had stopped short of compelling manufacturers to replace or make full refunds on faulty goods.

The proposed legislation, to be spelt out shortly in a policy document would include measures to:

- Make manufacturers and importers, as well as retailers, responsible for the quality of goods they supply and hold retailers liable under manufacturers' guarantees. At present, manufacturers are legally responsible only for the safety of products, while retailers are not obliged to honour guarantees.
- Nullify terms in contracts which discriminated unfairly against consumers. This change, which would be consistent with a proposed EC contracts directive under negotiation in Brussels, would introduce a principle of "good faith" into UK contracts law.
- Update the Sale of Goods Act by replacing the vague requirement that goods should be of "merchantable quality" with a more precise definition of satisfactory quality.
- Amend the Trades Descriptions Act to cover services as well as goods.
- Strengthen the powers of the director general of fair trading to deal with "rogue traders".

Mr Leigh said the reforms aimed to strengthen consumers' rights by requiring more openness and information in their dealings with suppliers, without imposing excessively burdensome regulations on business.

Customs and police raid property of businessman

By Richard Donkin

CUSTOMS and excise officers and police working for the Serious Fraud Office raided homes and factories yesterday connected to the fashion empire of Mr Charilaos Costa, a Greek Cypriot businessman.

Fourteen people were arrested and were being questioned last night at different locations in London.

The co-ordinated raids, using 100 customs officers and 15 police officers, were part of a collaborative investigation centered on different areas of suspected fraud.

Customs and Excise offices are investigating unpaid Value Added Tax totalling more than £1m. The SFO is looking at allegations of false accounting and obtaining property by deception. Mr Costa is a former friend of Mr Neil Kinnock, Labour Party leader and of Mr Asil Nadir, the chairman of Polly Peck, who is facing charges surrounding his own business dealings.

Mr Costa is believed to be in Cyprus.He has been at the centre of fraud investigation into the collapse of his companies last February. The inquiries concern allegations of false accounting and obtaining property by deception.

British Gas may be forced to cut prices to industry

By Deborah Hargreaves

BRITISH GAS could be forced to reduce prices for power station customers in a matter of weeks, Mr James McKinnon, director of the Office of Gas Supply said yesterday, as the three-month row about the supply of gas to new power projects escalated.

Mr McKinnon said he would meet British Gas on Tuesday to review plans for a new power price schedule that would be extended to all power station customers. "If they refuse to do it, they could be overwhelmed with litigation," he said.

National Power, one of the UK's newly-privatised electricity generators, said it was seeking a judicial review of the action taken by Mr McKinnon after British Gas raised its gas prices by 35 per cent in March.

British Gas made a surprise move to raise prices from 16p a therm to 22p a therm in March in an effort to stem growing demand for gas from new power stations.

As a result of the outcry this caused, Mr McKinnon stepped in to force British Gas to continue negotiations with two power projects – a Thames Power consortium that plans to build a power station at Barking, east London and a Mobil-Eastern Electricity venture in Essex – over gas supply at the old price.

National Power says it was close to signing a contract with British Gas just before the price increase, which would cost it £30m a year, and should be treated in the same way. "We believe we have a better claim and others have comparable if not better claims than these two companies," Mr Colin Webster, commercial director of National Power, said.

Mr McKinnon said National Power's action "is premature and based on a total misunderstanding of the legal position".

Thames Power, Mobil and Eastern Electricity have already issued writs against British Gas following three months of torturous negotiations which have so far failed to reach a conclusion.

Mr McKinnon said the new price schedule should come into effect immediately with a price close to the old price of 16p a therm. The timing of the gas deliveries will be the key as to whether the new schedule will work because British Gas simply does not have enough gas available to supply all the power projects under consideration.

Mr Webster said Ofgas had "unfairly singled out the two companies for favourable treatment". National Power agreed a contract with British Gas in January for 120m cubic feet of gas a day to supply its Didcot power project from 1994 at 16p a therm. The finalising of this contract in mid-February is widely believed to have triggered the gas price rise since British Gas realised it was running out of available gas. However, National Power was close to agreeing a second tranche of 120m cubic feet a day of gas when the prices rose.

Scottish steel faces another hammer blow

As one industry ends a recovery programme is already considered,says James Buxton

KNOCK-OUT blows are now landing at alarming speed on the Scottish steel industry. On Monday Sir Robert Scholey, chairman of British Steel, announced that the Dalzell plate mill at Motherwell, south-east of Glassgow, will close in five years as it builds a replacement mill on Teesside.

Already this year British Steel has shut its hot strip mill at Ravenscraig, Motherwell, with 770 jobs lost; closed one of the two active blast furnaces at Ravenscraig, making 1,245 people redundant; and shut the nearby Clydesdale tube works, paying off 1,200 people. Taking into account sub-contactors to British Steel, some 4,400 jobs are expected to be lost this year.

Ravenscraig now employs only 1,250 people and has a – conditional – guarantee against closure only to 1994. The closure notice for Dalzell, with its 550 employees, attacks almost the last pillar of the Scottish steel industry.

The Dalzell decision, though widely feared, shocked trade unionists and politicians who had nursed hopes of persuading British Steel to invest in improvements there. There is now a sombre acceptance that the Lanarkshire area of Scotland (once a county but now part of Strathclyde region) has to look to a future beyond steel.

That is a crucial change from a year ago when any talk of Lanarkshire without steel was regarded as defeatist. The remorselessness of British Steel's closures, plus a government-commissioned report which undermined arguments in favour of a reborn steel industry, have between them seen to that.

Although the effect of British Steel's closures has yet to work its way into the official figures, unemployment in the Lanarkshire travel to work area is expected shortly to rise from 11.8 per cent in May to between 14 and 16 per cent. If British Steel pulls out altogether it could mean between 22,000 and 26,000 men out of work.

Lanarkshire therefore requires a recovery programme similar in scale to those carried out with some success in former steel centres such as Corby in Northamptonshire and Consett in Durham.

Although there is no formal strategy yet, the foundations for that recovery programme are now being laid.

A working party led by the Scottish Office but involving Scottish Enterprise and the Lanarkshire Development Agency (LDA), the newly formed local enterprise company, has proposed a large number of projects, mainly to improve the area's infrastructure.

To implement them all would cost between £200m and £300m but they could help generate between 6,000 and 8,000 jobs.

According to Mr John Condliffe of Scottish Enterprise, Lanarkshire is one of the most promising areas in Scotland for a recovery programme. Close to Glasgow, it lies at the heart of the central industrial belt of the country.

Lone figure: Scottish steel making is threatened

Yet, partly because it already had the steel industry and some heavy engineering companies, new businesses tended to go elsewhere, such as the new town of East Kilbride, on the fringe of the area, or further afield.

Lanarkshire has a low business start-up rate and a poor image as a location with a quarter of all the derelict industrial land in Scotland.

Apart from a very small number of large businesses, most companies in the area are small and many are far too dependent on subcontracting work for British Steel.

Mr Condliffe points out that Scottish Enterprise has recently purchased about 500 acres of potential industrial sites around Motherwell which the LDA is now rehabilitating.

"These sites are essential if we are to attract new industry to the area," he says.

The LDA is pressing British Rail to locate its railfreight terminal for Scottish Channel Tunnel traffic at Mossend, north of Motherwell, believing this to be the best location in Scotland.

However the Mossend project faces formidable competition from a site at Hillington on the west side of Glasgow. Advocates of Hillington, who are led by the Glasgow Development Agency, the Glasgow rival of the LDA, claim that most of Scotland's large exporters prefer it.

But the most important recommendation of the working party is that the government should create an enterprise zone in Lanarkshire. This would offer corporation tax and rate relief for ten years to companies who set up on specified areas. "We think that with an enterprise zone we can achieve in five years what would otherwise take ten," Mr Condliffe says. "It is a mechanism for kick-starting the area."

To achieve enterprise zone status means obtaining approval not just from the government but also the European Commission. Mr Ian Lang, Scottish secretary, said last month that the government would consider the proposal "against the background of its existing policy on Enterprise zones".

That policy is that no new enterprise zones will be approved "except in very exceptional circumstances".

The recent creation of such a zone in Sunderland, in the wake of shipyard closures, was said to be the last, but that was also said of Sunderland's predecessor, the largely unsuccessful zone at Inverclyde in western Scotland.

Promoters of Lanarkshire are pinning their hopes on the words of Mr John Major, the prime minister, who said in January: "We will not abandon Lanarkshire."

Deadline set for claims against drug companies

By Robert Rice, Legal Correspondent

THOUSANDS of alleged victims of tranquilliser addiction were yesterday given a deadline by the High Court for bringing claims against Roche and Wyeth, the Swiss and US drug companies.

The judge, Mr Justice Kennedy, set a deadline of April 16 next year in what will be the biggest personal injury action in British legal history.

He also set a September 20 deadline for applications for state assistance for legal costs – known as legal aid – by those wanting to join the "group action" against the makers of benzodiazepine drugs.

Nearly 7,000 applications for legal aid have been made already in the action. Legal aid has been granted to 5,086 people, 2,510 in respect of alleged dependency to Ativan, made by Wyeth, 1,495 in respect of Valium made by Roche.

Just over 700 writs have been served on the two drug companies so far, about 100 relating to Valium and 600 to Ativan.

A list of 15 other benzodiazepine drugs have been approved by the Court for inclusion in the litigation, but apart from Valium and Ativan the only other tranquillisers for which there is a significant number of claims are Librium made by Roche and Serenid, made by Wyeth.

There is, however, a growing number of claims in relation to Halcion and Xanax, both made by Upjohn, which suggests the US drug manufacturer may join the litigation.

Solicitors co-ordinating the claims were reluctant yesterday to estimate the final number of claimants. However, the mental health charity says more than a million people in the UK may have been addicted to benzodiazepines, but the final number of claimants is not expected to exceed 10,000.

The deadlines were welcomed by the drug companies which have said they will vigorously defend the claims. A spokesman for Roche said the company was eager to see the claims progress.

MANAGEMENT

Corporate strategy

Building on brainpower

Andrew Baxter and **Andrew Taylor** explain how Trafalgar House aims to construct a formidable competitive force with its assimilation last week of Davy

Just seven weeks ago today, a party of managers from the European aluminium industry spent a day in a rural retreat just outside Frankfurt, while engineers from Davy McKee extolled the virtues of their new computerised control system for rolling mills.

Absorbed in the intricacies of squeezing huge rolls of aluminium through sophisticated mangles at ever-faster speeds and tolerances, the rolling mill men happily ignored the wider drama building up around Davy Corporation, their hosts' parent company.

The arcane sales patter of Davy's metals division must have seemed worlds away from the disastrous Emerald Field contract to convert an oil rig into a production platform, which cost Davy £114m and forced it into the willing arms of Trafalgar House, the UK conglomerate, in an agreed £114m takeover last week.

But there is a connection; Trafalgar House is as keen to obtain access to Davy's world leadership in several key areas of process technology as it is to inject the financial backing and risk management into Davy that it has lacked for years. This lack was cruelly exposed in its signing of the £119m Emerald Field contract in 1988.

The takeover of Davy completes a strategy developed at Trafalgar House in the early 1980s to concentrate on the "brainpower" end of the engineering business – designing and managing complex process plant projects worldwide – by putting together Davy and John Brown, another big UK engineering contractor.

The aim was to create the leading, British-owned force in engineering contracting to rival the big US and Japanese players such as Bechtel and Chiyoda. There was just one problem: Trafalgar House owned neither John Brown nor Davy when this strategy was hatched.

There are significant differences between the two contractors – John Brown grew into a general engineering contractor from a diversified manufacturing base, while Davy developed via a series of mergers into a contractor with a strong commitment to research that generated a string of proprietary processes for producing chemicals and metals.

But there is a remarkable similarity in the events which led to Trafalgar's takeover of John Brown in 1986 and Davy five years later. John Brown, like Davy, had lacked rigorous risk management controls and came close to the brink of collapse during the worldwide recession in the mid-1980s for process plant contractors.

Trafalgar has made a habit of acquiring world-famous names in industries which have hit hard times – such as the Cunard shipping group and the Ritz hotel in London. The experience gained in integrating these groups, and instilling financial disciplines without sacrificing operating independence, will be needed if the takeover of Davy is to work.

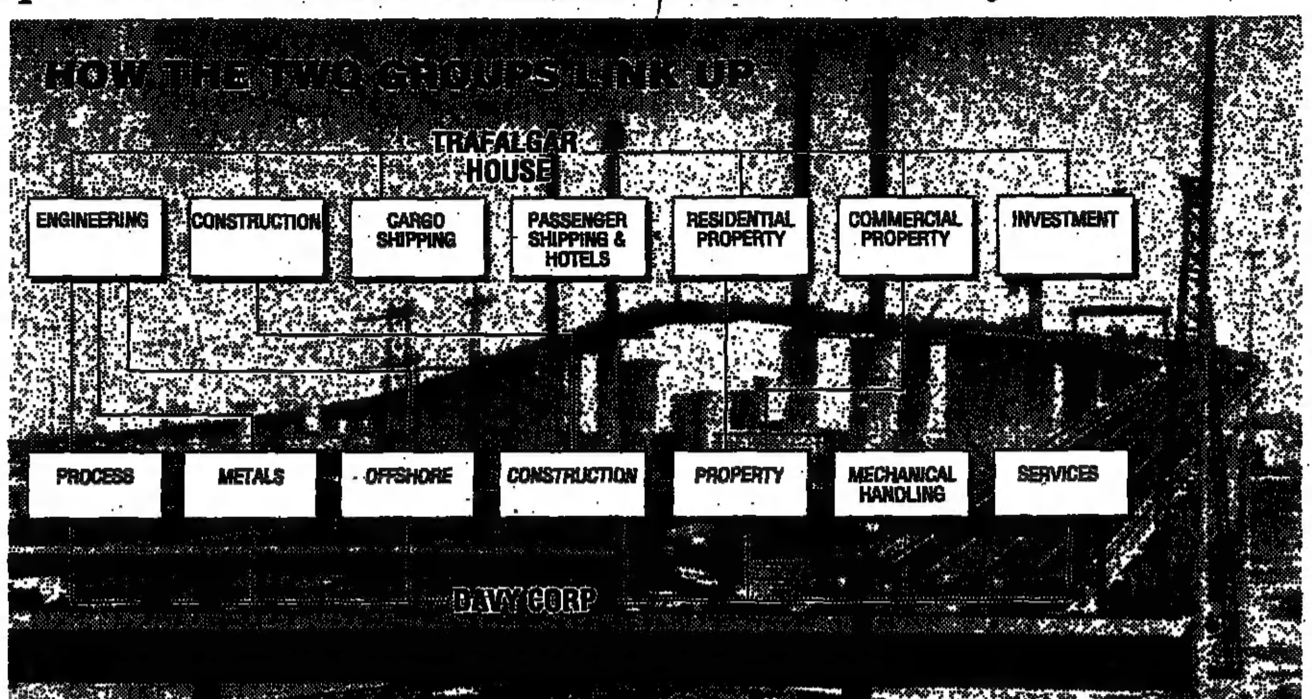
The challenge of changing the business culture at Davy without losing key personnel should not be underestimated. Engineering contracting is a people-based business where "your main assets can walk out of the door if they are not happy," says Allan Gormly, managing director of John Brown.

Trafalgar House argues that it faced a similar challenge when it took over John Brown. Gormly, along with his deputy, Ted Bavister, was one of the many key executives who remained when Trafalgar acquired the company.

If all goes well, Trafalgar House will be able to offer what it sees as "the biggest menu of skills" in process plant contracting, as well as general construction expertise, through such companies as Davy McKee, Scott Lithgow, Cleveland Bridge and Cementation.

In engineering and contracting (E&C), Trafalgar House will employ 20,000 workers in 12 countries, putting it in the world's top three. "The combination of John Brown and the Davy McKee end of Davy makes a lot of sense, and does create a very strong process contracting business," says Michael Milner, director of the British Chemical Engineering Contractors Association.

Trafalgar House has two advantages to help it surmount the challenges of integrating Davy with its other construction and engineering companies. The first is that these businesses already know each other very well – "there are a hell of a lot of ex-Davy people working in John Brown," says Patrick McTighe, Davy's chief executive.



The companies have worked together on projects for almost 40 years. Trafalgar cites a steelworks at Durgapur, India, built in the 1950s by what was then Davy United, Ashmore Benson and Pease (now part of Davy), Cleveland Bridge and Cementation – at that time separate quoted companies which should soon be under the same roof.

The second advantage is that, despite the differences between Davy and John Brown, they are both engineering contractors used to designing and managing projects. Gormly points out that the clients who buy aluminium rolling mills from Davy's metals division have the same kind of basic requirements as chemicals manufacturers requiring John Brown's process plant expertise.

Not only will Trafalgar be able to provide a much greater range of skills under one roof, but it will also have the financial strength to take on big projects without risking the future of the whole company on a single venture. Davy, even before the Emerald Field fiasco, had suffered a number of mishaps which might have broken the company.

Financial strength also allows a contractor to stand up to large clients if things start to go wrong. To win orders, contractors must agree to deposit "performance bonds" against failure or poor performance. Smaller contractors which can ill afford the risk of a client calling in the bond are in a much weaker bargaining position if the contract starts to go wrong.

In Davy's case, integration with Trafalgar House will focus on three key areas:

- The metals division: the biggest and most successful of Davy's divisions, it was the jewel in the engineering contractor's tarnished crown and the major attraction for Trafalgar House, along with other potential purchasers such as Mannesmann of Germany.

The division had turnover and operating profits of £771m and £29.5m, respectively, in the year ended March 31, but can simply be "bolted on" to John Brown as a new business. The most important result of the takeover for this designer and contractor of electric arc furnaces, rolling mills and casting equipment will be intangible – the removal of uncertainty caused by Davy's problems elsewhere.

The division has already made the moves necessary to give it a broad international client base, notably last year's takeover of Clecim, the French metals engineering company. But Trafalgar House will need to continue the research which has given Davy world leadership in many technologies connected with producing metal.

In return, Trafalgar House will gain an important entrée into the US steel-mill market. There may be a question-mark over short-term prospects, but US plant is archaic by western standards and needs major modernisation over the next decade, says Tim Bennett of the Birmingham broker Albert E Sharp.

- The process division: this chemical plant contractor will also be slotted into John Brown, but will require greater effort. There is some overlap, especially in the 300-strong London process operation.

The division lost £6.6m last year on turnover of £454.8m, and has yet to recover from the uncertainty among clients caused by the Gulf war. But its long-term potential is illustrated by the £30m that both John Brown and Spie Batignolles, the French engineering company, was prepared to pay for the division before Trafalgar House made its full bid.

The attraction of the division is proprietary technology ranging from a low-pressure oxo-alcohols process that has been a money-spinner for nearly 20 years to Davy's own version of ICI's low-pressure methanol process.

Over recent years John Brown has also been increasing its technology base via acquisitions, but the Davy takeover represents a quantum leap that rivals will find virtually impossible to emulate.

- Construction and property: It is in this division, which made £5.13m on turnover of £273m last year, that the greatest overlap exists between the two businesses and some rationalisation may be required. Monk, Davy's construction subsidiary, is mainly a regional builder and is strong in Scotland and the north of England. Willett, Monk's nearest equivalent within Trafalgar's construction division, is stronger in the south of England.

Very large projects which are undertaken on a national rather than on a regional scale such as the roadbridge across the River Thames at Dartford, east of London, (see illustration) are likely to continue to be handled by Cementation, another Trafalgar acquisition. Cementation is also a successful international contractor. Monk, judging by previous experience of Trafalgar acquisitions, will remain a separate business, probably concentrating on its regional strengths.

As for the rest of Davy, the remnants of the offshore division, once the Emerald contract is completed, will become part of Trafalgar's offshore construction side and the much smaller mechanical handling and services divisions may be sold.

Independent observers of the merger say the industrial logic of the merger looks impeccable, and not only because of the complementary nature of John Brown and Davy McKee's expertise.

In a world becoming increasingly full of competent contractors with all-round project management ability but lacking specific technological skills, analysts say the UK's dominant player will be able to offer something different through a combination of technology and financial muscle.

Trafalgar says it will encourage Davy to continue with its research and development, based at Stockton, and in the long term that will be a key element in the success of the deal.

There is, after all, a lot riding on it, even without the Emerald Field risk that Trafalgar is shouldering; the conglomerate's centre of gravity will shift towards engineering and construction, which will account for 80 per cent of a £4bn turnover and 50 per cent of net profits.

Business courses

Manpower planning for organisations in developing countries. July 1-August 23. Brighton. Fee: £6,400 + VAT. Further enquiries from Meg Reed, Institute of Manpower Studies training co-ordinator, Mantell Building, University of Sussex, Falmer, Brighton, Sussex BN1 9RF. Tel: (0273) 678181. Fax: (0273) 690430.

Measuring and managing information technology benefits. December 5-6. London. Fee: £595 + VAT. Further enquiries: The Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 081-871 2546. Fax: 081-871 3866.

Strategic modelling for senior managers. September 16-20. London. Fee: £2,500. Further enquiries: Frances Pettifer, programme manager, or Dr John Morecroft, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 071-262 5050. Fax: 071-724 7875.

Corporate planning in practice. September 22-27. Henley-on-Thames, Oxfordshire. Fee: £1,650 + VAT. Further enquiries: The Administrator, Short Courses, Henley - The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: (0491) 571454. Fax: (0491) 571635.

Mental health at work. September 19-20. London. Fee: £84 + VAT (one day only) £140 + VAT (both days). Further enquiries: Graham Watson, conference administrator, G6 Burton Lodge, Portinscale Road, London SW15 2HT. Tel and Fax: 081-874 0637.

Management skills for technical personnel. November 28-29. London. Fee: £595 + VAT. Further enquiries: Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 081-871 2546. Fax:081-871 3866.

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GROUPE SCHNEIDER

THE PROPERTY MARKET

Health service holdings put under the spotlight

By Vanessa Houlder

The government's wide-ranging reforms of the National Health Service have lifted the vast NHS property holdings out of the shadows and into the public arena.

As controversy over the changes to the health service deepened, Mr Robin Cook, the shadow health secretary, demanded to know in March if the NHS was "safe in the hands of estate agents". He pointed out that property development represented the largest business interest for self-governing hospitals, which are free to sell land they consider surplus after they opt out of local health authority control. Had the government turned over hospitals to developers and agents to supervise the asset-stripping of surplus land and buildings, Mr Cook asked.

These concerns are shrugged off by Mr John Locke, chief executive of the NHS Estates, a government agency which advises NHS management and health authorities, and Mr Trevor Whiteley, an adviser on policy towards the estates.

The "asset-stripping" charge cuts little ice with Mr Locke. He says that a more commercial approach to property, including the sale of surplus property, will improve the efficiency of the service as a whole. "Our resources are money, manpower and property. In the past we have just focused on money and manpower," he said.

The number of property people on the boards of the trusts is just 19 out of several hundred, says Mr Whiteley. He thinks their relatively high prevalence was unintended, even though it has brought useful expertise to the hospitals. "It is an accident, a happy accident," he says.

Whatever the desirability of the overall health service reforms, it is hard to argue against the case for a more rigorous focus on the NHS's property. The estate is unwieldy and partly outdated. It has 1,700 hospitals as well as scores of clinics, ambulance stations, offices, stores and workshops.

Although a large hospital rebuilding programme started in the 1960s, the bulk of the estate was inherited from local authorities and voluntary societies in 1948. It includes nearly 800 listed buildings, more than 100 former workhouses and nearly 50 chapels and churches.

One measure of the old-fashioned nature of the estate is that it would cost £70bn to replace it in every detail, down to the last gargoyle. By contrast, its value for its existing use is estimated at £20bn, and for alternative use at £13bn.

Though the NHS is hampered by the nature of some of the property it has inherited, it could have managed its affairs better. The main problems relate to maintenance and allocation of resources.

In a critical report in March, the Audit Commission said that health authorities had to spend at least £2bn to bring their hospitals up to modern standards. It found management was of a poor standard, with high levels of absenteeism and too much attention given to low-priority tasks.

Many hospitals do not even meet statutory and safety requirements for waste incineration and fire precautions. These shortcomings could leave them open to legal action now that the health authorities no longer have crown immunity.

The NHS has also been criticised for the way its allocates its resources. As a result it has been easier for a hospital to build a new wing than to maintain an existing one. The easiest way for a hospital to get a new lift or X-ray machine was to allow existing equipment to deteriorate.

The NHS has been trying to improve the way it handles its property for several years. The reforms to the NHS system have provided an opportunity for more sweeping changes to its property management. Efforts are being focused on:

- Surplus property. In 1983, a working party issued a report on under-used property, which recommended that health authorities should systematically rationalise their holdings. This has led to the disposal of several hundred acres of NHS land each year. This process – together with the controversial closure of mental hospitals as part of the community care programme – could mean that a quarter of the estates become surplus in the next 10 years. Surplus property is usually sold to be redeveloped for houses or shops.
- Improving maintenance. The target is to reduce the amount of property that is unacceptable or needs to have cash spent on it from 40 per cent to 30 per cent.
- The devolution of functions from region to district and individual units. Regional health authorities will oversee strategy on property matters but individual hospitals will have to appoint their own facilities managers.
- Capital charge. All hospitals will have to earn a return on capital of 6 per cent, as well as covering depreciation and the cost of maintenance. "The effect will concentrate their minds on what they need to do the job properly," says Mr Locke.

Not all these changes are going smoothly. Even though sales of surplus land are expected to reach £200m this year, Mr Locke says that "land disposal is extremely difficult at the moment. In many cases, the nature and location of the property is not best suited to disposals".

The NHS is also handicapped in its ability to profit from developing its surplus land by the Department of Health's disapproval of excessive risks. At a recent seminar held by Edward Erdman, a firm of chartered surveyors, the question of how to contain risk while making certain of gaining the greatest value was seen as one of the biggest difficulties for authorities with surplus property.

Devolving responsibility from regions to hospitals is also causing uncertainty. It is not clear how rapidly or enthusiastically regional health authorities will shed labour and hospitals appoint facilities managers. "There is no model," admits Mr Locke. "It sounds chaotic. It is not as chaotic as it sounds."

Even NHS Estates itself does not appear entirely confident about those in the service who take decisions on property, judging by its efforts to raise awareness of estate issues. For instance, an introductory booklet called, "A strategy for a healthier estate", seems pitched at an absurdly elementary level.

Lydia van der Meer

John Locke of NHS Estates: more commercial approach

Finding its customers is not the only challenge for the 127 staff of the NHS Estates, which include architects, engineers and surveyors to provide advice on hospital design and selling spare property.

Until April, when it was called the NHS Estates Directorate, it had a secure customer base. This is gradually being phased out and it is seeking business from the private sector. In four years it will have to sink or swim. On top of that, it is moving to Leeds next year, which may result in the departure of nearly two-thirds of its staff.

These changes to NHS Estates will have to be assimilated at the same time as the general reforms to the service, which, it seems clear, were devised without much immediate thought to the implications for property. In long run, they should improve the management of the estate, but strain will be felt before the reforms have worked their way fully through the system.

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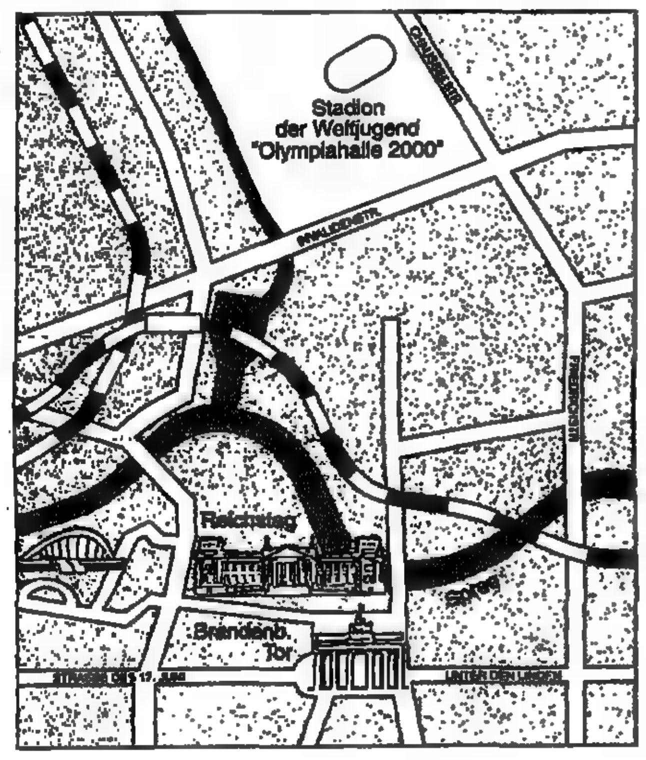

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CITY OF LONDON PROPERTY SURVEY

The Financial Times proposes to publish this survey on 27th September 1991

For an editorial synopsis and advertising rates ring Peter Shield on 071-873 3284 or write to him at Financial Times, Number One Southwark Bridge, London SE1 9HL.

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CONTRACTS & TENDERS

PRIVATISATION IN GREECE

INVITATION FOR PROPOSALS FOR THE ACQUISITION OF ALPHA S.A.I.

Within the framework of the Greek Government's privatisation policy, the Hellenic Industrial Development Bank S.A. ("ETBA") intends to sell its shareholding (approximately 83.3 per cent) in ALPHA S.A. I. ("ALPHA" or "the Company"). La Compagnie Financiere Edmond de Rothschild Banque ("L.C.F.E.D.R.") has been retained by ETBA as its exclusive advisor for the sale.

THE COMPANY

Alpha has two separate activities, namely the production of electronic fuses for military applications and the design and development of computer software systems. Alpha's main product line for fuses is a range of electronic time, time-setting and proximity fuses for artillery ammunition: The Company is the exclusive supplier for the Greek army. Alpha's Information Systems Divison develops tailor-made software solutions and turn-key packages, for example for the defence industry and for management information and for hospital information systems: *In this area the Company is well-positioned to benefit* from the major projects envisaged in [illegible] near [illegible] for [illegible] various government Ministries.

In addition, Alpha participates in a number of research driven projects. The Company has also developed a digital PABX system.

The Company's headquarters are located in the commercial centre of Athens, in a building of 3,170 square metres: the Company's operations could be relocated without adversely affecting the business.

FINANCIAL HIGHLIGHTS

(GRD in millions, USD in thousands)

	[illegible]		1990	
	GRD	[illegible]	GRD	USD
Sales	532	3,276	[illegible]	1,357
Gross Profit (loss)	246	1,515	57	360
Total [illegible]	2,364	[illegible]	2,616	16,596

PRIVATISATION PROCEDURE

The following procedure and timetable is being adopted for the privatisation:

1. Initially, interested investors could request a Confidential Information Memorandum on the Company from L.C.F.E.D.R. This will be released only to parties acting as principals, and will be subject to a confidentiality agreement.
2. Visits to the Company will arranged for potential investors.
3. Potential investors are required to submit an acquisition proposal to L.C.F.E.D.R., to arrive no later than 5 p.m. (17:00) on Monday, August 19th, 1991. Proposals should specify where there is a preferential interest in one of the Company's two activities and state clearly whether the Company's premises are included. Proposals will be evaluated by ETBA and [illegible]

ETBA reserves the right to invite investors to submit improved offers, to reject all offers submitted, or to modify the acquisition procedure, should this be of interest to ETBA or the Company.

For the Information Memorandum, as well as further information on the proposed sale procedure and the timetable, interested investors should contact:

La Compagnie Financiere Edmond de Rothschild Banque
47, Rue du Faubourg Saint-Honore, 75008 Paris, FRANCE

tel: (331) 40 17 23 77
fax: (331) 40 17 23 99

Attn: Daniela da Prato, Executive Director, or Jose Velasco.

This announcement was financed by 70% through EEC funds.

PRIVATISATION IN GREECE

INVITATION FOR PROPOSALS FOR THE ACQUISITION OF THRAKI S.A.

Within the framework of the Greek Government's privatisation policy, the [illegible] Industrial Development Bank S.A. ("ETBA") intends to sell its shareholding (approximately 94.5 per cent) in THRAKI S.A. ("THRAKI" or "the Company"). La Compagnie Financiere Edmond de Rothschild Banque ("L.C.F.E.D.R.") has been retained by ETBA as its exclusive advisor for the [illegible]

THE COMPANY

THRAKI, founded in 1972, and headquartered in Athens, is one of the leading Greek producers of pork sausages and other meat products. The Company has meat processing facilities at Ferres and Komotini in North Greece, that at Ferres is a fully integrated plant with substantial animal food and pig breeding installations.

FINANCIAL HIGHLIGHTS

(GRD in millions, USD thousands)

	18 months ended 30.6.89		12 months ended 30.6.90	
	GRD	USD	GRD	USD
Sales	3,616	24,313	2,901	[illegible]
Gross Profit	370	2,485	399	2,481
Total [illegible]	3,237	19,231	3,254	[illegible]

PRIVATISATION PROCEDURE

The following procedure and timetable is being adopted for the privatisation:

1. [illegible], interested investors could request a Confidential Information Memorandum on the Company from L.C.F.E.D.R. This will be released only to parties acting as principals, and will be subject [illegible] a confidentiality agreement.
2. Visits to the Company's sites will be arranged to take place between 17th July - 2nd August, 1991 for potential investors wishing to conduct a technical appraisal.
3. Potential investors are required to submit an acquisition proposal to L.C.F.E.D.R., to arrive no later than [illegible] p.m. (17:00) on Monday, August 19th, 1991. Proposals will be evaluated by ETBA and L.C.F.E.D.R.

ETBA reserves the right to invite investors to submit improved offers, to reject all offers submitted, or to modify the acquisition procedure, should this be of [illegible] to ETBA or the Company.

For the Information Memorandum, as well as further information on the proposed sale procedure and the timetable, interested investors should [illegible]

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tel: (331) 40 17 23 77
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Attn: Daniela da Prato, Executive [illegible], or David Lloyd.

This announcement was financed by 70% through EEC funds

LEGAL NOTICES

CERTIFICATE OF REGISTRATION OF ORDER OF COURT AND MINUTE ON REDUCTION OF SHARE CAPITAL AND CANCELLATION OF SHARE PREMIUM [illegible]

[illegible] EASTERN [illegible] TION COMPANY LIMITED having by Special Resolution reduced its capital and cancelled its share premium account as c[illegible] by an Order of the High Court of [illegible] Chancery Division

Dated the 20th May 1991

Now therefore I hereby certify that the said Order and a Minute approved by the Court were [illegible] pursuant to section 138 of the [illegible] Act 1985 [illegible] the 20th June 1991

[illegible] my hand at Cardiff the 24th [illegible]

No. 486185

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An Authorised Officer

THE INSURANCE COMPANIES ACT 1982

CITY OF WESTMINSTER INSURANCE COMPANY LIMITED ("CWI")

[illegible] IS HEREBY GIVEN that an applica[illegible] on 1st July 1991 [illegible] Secretary of State for Trade and Industry by CWI for the approval of the Secretary of State pursuant to Section 51 of the Insurance Companies Act 1982 to a proposed transfer to NEM Insurance Company Limited ("NEMIC") [illegible] of changing [illegible] to AGF Insurance Limited) [illegible] CWI's [illegible] and obligations under policies of insurance and reinsurance [illegible] by [illegible] the course of the insurance business [illegible] on by CWI in the United Kingdom before [illegible] July 1991, including provisions to secure the continuation by or against NEMIC of any legal proceedings by or against CWI which relate to those rights or obligations. The policies affected by the application comprise all policies written by CWI in the course of carrying on insurance business [illegible] United Kingdom before 1st July 1991.

A copy [illegible] of the proposed transfer and of a draft of the [illegible] Instrument of Transfer will be open [illegible] at 41 Botolph Lane, London EC3R [illegible] on any day (other than a Saturday or Sunday or public holiday) on or before 4th August 1991.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry [illegible] Department of Trade and Industry, Insurance Division, 1[illegible] 3rd September 1991. The Secretary of State will not [illegible] application [illegible] considering any representations [illegible] to him before that day.

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1st July 1991

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Shareholders in the Fund are convened to attend the Annual General Meeting of shareholders to be held on Wednesday, 31st July, 1991 at 10.00 a.m. at the registered office of the Fund at Pietermaai 15 Willemstad, Curaçao, Netherlands Antilles.

The items on the agenda are:-

(1) Approval of the Report of the Board of Management on the Fund's affairs for the year from *1st April, 1990 to 31st March* 1991.

[illegible] Ap[illegible] of the balance sheet as at [illegible] March, 1991 and [illegible] statement of operations for the year ended 31st March, 1991.

(3) Ratification of the actions of the Board of Management for the year ended [illegible] March, 1991.

(4) Approval of payment of such dividend for the year ended 31st March, 1991 as may be advised by the Auditors as necessary to *obtain United Kingdom* distributor status for the Fund.

(5) Election of the Members of the Board of Management.

In order to attend the Meeting in person or by proxy and to have their votes registered at the Meeting holders of bearer shares must deposit their share certificates (or a deposit receipt for the share certificates) mentioning their names, addresses and nationalities at the registered office fo the Fund not later than 24th July, 1991.

5th July, 1991
[illegible] *order of the Board of Management*

THE INSURANCE COMPANIES ACT 1982

AGF LONDON LIMITED ("AGF")

NOTICE IS HEREBY GIVEN that an application was on 1st July 1991 presented to the Secretary of State for Trade and Industry by AGF for the approval of the [illegible] of State pursuant to Section 51 of the Insurance Companies Act 1982 to a proposed transfer to NEM Insurance Company Limited ("NEMIC") (in the process of changing its name to AGF Insurance Limited) of all AGF's rights [illegible] under [illegible] of insurance and rei[illegible] the course of the insurance business [illegible] on by AGF in the United Kingdom before 1st July 1991, including provi[illegible] secure the continuation by or against NEMIC of any legal proceedings by or against AGF which relate to [illegible] rights or obligations. The policies affected by the application comprise all policies written by AGF in the course of carrying on insurance business in the United Kingdom before 1st July 1991.

[illegible] copy of a Statement setting out particulars of the proposed transfer and of a draft of the proposed instrument of Transfer will be open for inspection at 41 Botolph Lane, London EC3R 8DL during normal business hours on any day (other than a Saturday or Sunday or public holiday) on or before 4th August 1991.

Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry at the Department of Trade and Industry, Insurance Division, [illegible] Victoria Str[illegible] London SW1H 0NN [illegible] 3rd September [illegible]1. The [illegible] of [illegible] will not determine the application before consid[illegible] [illegible]y representations [illegible] him before [illegible] day.

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Human touch on computer models

Peter Marsh talks to economic forecasters whose predictions rely on carefully enhanced raw data

Sales of kitchen fittings *over the past few* months have been disappointing, much to the chagrin of Ian Arnold, finance director at MFI, a UK furniture supplier.

Valerie Burton, group economist at Bass, the drinks and leisure company, has seen little pick-up in the demand for beer, while Jennifer Mitchell, economics manager at the Rover car group, has yet to detect much sign of life in the vehicles market.

These three people are part of an unusual network of economic forecasters which combines the predictive power of a computer model of the UK economy with the experiences of specialists from industry and commerce.

The *forecasts* are by the *Item* club, whose latest projections on when the year-long UK recession will end are being published today.

Like many other other groups attempting to forecast economic activity, Item bases its predictions on a computerised economic model. This is a set of software which links by equations hundreds of economic variables – anything from tax changes to inflation – according to how these factors have influenced each other in the past.

Such models can manipulate within seconds large volumes *of data related to the functioning* of an economy. They can also be used to generate a range of answers to "what if?" questions related to how economic activity might alter should outside factors such as exchange rates change.

Nearly all forecasts rely on information beyond that which a model can provide. The economists in charge of the models normally gain this information from a number of sources, and in what can be a fairly haphazard fashion.

Obtaining outside views to add to the output from the model is vital, economists say, if inaccuracies are to be minimised. "You can have a jolly good model, but you will produce [redacted] bum forecast by making incorrect judgments and policy assumptions," says Geoffrey Dicks, *chief* economic forecaster at London Business School.

Where Item differs from most other forecasting groups – including the Treasury, which issues its own projections twice a year, and uses the same computer model as Item – is in its formalised and highly rigorous use of experts from commerce and industry to add their own judgments to the raw computer data.

Item thinks its approach provides the broadest [redacted] way to feel the pulse of the UK economy. It reckons this way

> **'You can have a jolly good model, but you will produce a bum forecast by making incorrect judgments and policy assumptions,'**

of [redacted]rking could [redacted] improvements on the generally poor record of forecasters over the past few years (see panel and chart).

Left to its own devices, the Item model would have predicted a *modest recovery in UK* gross domestic product (total output) and consumer spending later this year. Consumer spending accounts for two-thirds of output and is a big influence on other important *variables such as inflation* and the trade deficit.

However, the input from the specialists among the 18 members of the Item club – including Arnold, Burton and Mitchell – convinced the group to modify its forecasts to give a gloomier view of the future. Besides the companies for which these three work, other Item members include Northern Rock and Halifax building societies, the Civil Aviation Authority (CAA) and Nomura, the Japanese stockbroker.

Although government econo[redacted] months ago thought [redacted] revival would occur around the summer, the Item view is that this will be postponed until the end of 1991. "Although [redacted] computer model by itself predicted [redacted] sharper upturn, due to the effects of cheaper credit arising from lower UK interest rates, the experiences of our members are showing that this may not be the correct view," says Brian Pearce, chief economist at the London-based Item.

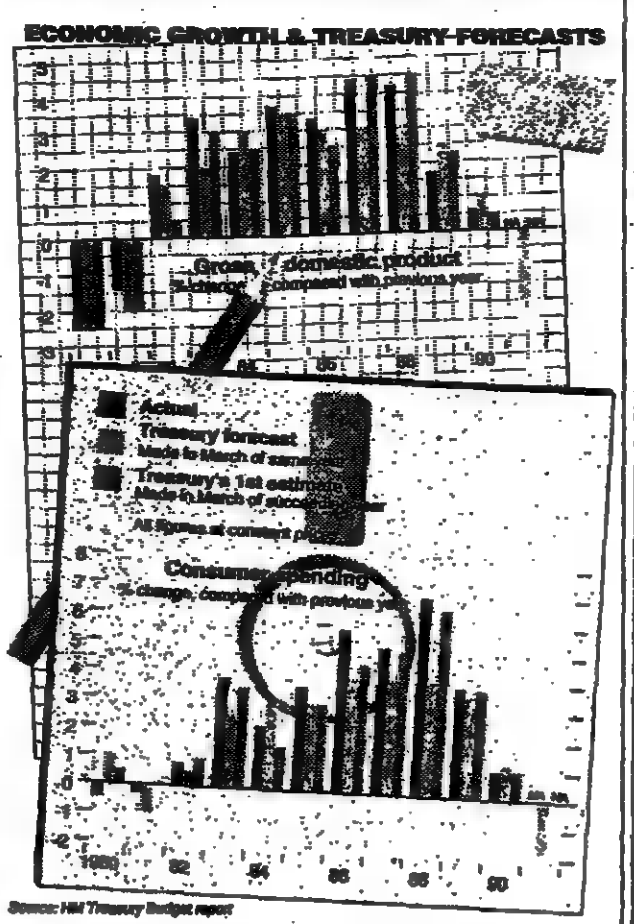
[redacted] Item, which was set up in its current form three and [redacted] half years ago, is not immune from the problems which affect all UK economic forecasters. However, [redacted] that Item was among the first group of economists to spot (around [redacted] autumn of last year) that the recession would be so deep.

[redacted] limited company, Item is owned jointly by five groups – Baring Brothers, Schroders, Morgan Guarantee, Oxford Economic Forecasting [redacted] Crown Agents. All of the shareholders except Oxford are also club members.

Under [redacted] procedures, [redacted] runs off [redacted] data from his computer model and presents it [redacted] who then comment on specific parts of the predictions. Pearce *then revises these, before* bringing the new data to a [redacted]ond [redacted]ering (normally a week later) after which the final projections are published.

"Brian is [redacted] good defender of the model," [redacted] Marc Hendriks, *managing* director at Item, who is also Baring's chief [redacted]. "He [redacted] correct degree of rigour and makes sure the comments are properly thought out and not just anecdotal."

David Bourne, an economist at the CAA, says: "We all acknowledge that the numbers from [redacted] will be flawed. But this is the most intelligent way of looking ahead that I can think of."



Source: HM Treasury Budget report

Why forecasts fail

FEW economists, including those at the Treasury, foresaw either the the extent of the economic overheating *which affected Britain* between 1986 and 1988 or the seriousness of the recession which followed.

The accompanying chart shows the poor record of the Treasury in forecasting two *key variables – gross* domestic product and consumer spending – during the past decade.

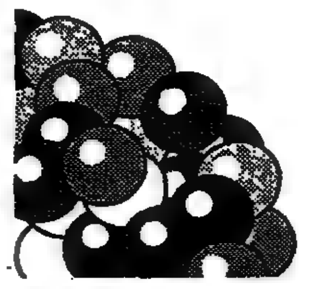
There are several reasons for the broad failures of UK economic [redacted] in recent years:

● Inaccurate economic statistics. [redacted] chart illustrates how poor-quality data has often led to the Treasury's first estimate of growth in a specific year to be substantially different from the actual, revised number. That has [redacted] *forecasters misleading* impressions about activity at key periods, [redacted] their job even more difficult.

● Flaws in models. Many of the leading economic models failed to take into account *factors such as financial* deregulation in the early 1980s, which increased consumer credit and consumption, triggering unexpectedly high inflation.

● Poor judgments. Economists have been far from adept at "reading" the pattern of events in the real world and adding their own intuitive judgments to the raw data from forecasts. A case in point is the surge in house prices in the UK in the mid 1980s, which few economists estimated would have such a large effect in increasing overall inflation.

● Difficulties related to people's behaviour. One view is that predicting the pattern of events in economics is all but impossible, due to the intrinsic problems in foreseeing how millions of people will react to external change.



WORTH WATCHING

An antidote for computer viruses

THE best way to fight software viruses is to prevent infection. A new package to ensure this form of safe computing has been launched by S&S International, of Amersham, *writes Andrew Jack.*

VirusGuard, part of Version 5.0 of the Anti-Virus Toolkit, continuously monitors the computer and issues audio and visual warnings if anyone tries to operate, copy or read an infected file.

The *latest* version of the toolkit also includes FindVirus, which identifies and repairs damage caused by some 670 computer viruses; and CheckVirus, which identifies new ones by looking for the changes in the length and structure of existing files.

The basic package costs £59, or £99 including four quarterly upgrades with antidotes for new viruses as they *are recognised.*

Prescription for medical software

HEALTH service computing *in the UK requires rehabilitation* following the collapse of two "free" schemes, under which Vamp and AAH Meditel supplied computers to general practices in exchange for the right to sell their data *to the pharmaceutical industry*, writes Clive Cookson.

Update Computers, an established medical software company, hopes to win disillusioned Vamp and AAH Meditel doctors over to its new Update 2000 system *launched* this week.

Update 2000 is claimed to be the first "second generation" system for managing GP information – both medical and financial. It uses industry standards, including Informix 4GL relational database, Xenix operating system and Easel graphical user [redacted]

Update has also developed communications software that enables family doctors to exchange data electronically with *local* health authorities and hospitals.

Gas plasma has its screen debut

FOR THOSE who need to read computer screens from unusual angles and demand a quick response when they press keys, comes a new application of a recent technology. Toshiba's *"Dynabook"* is the first notebook computer *to use* [redacted] gas plasma display, writes Andrew [redacted]

Gas plasma cells on the screen emit orange light when a voltage is applied to them, giving a quicker response, wider viewing angles and contrast far *greater* than with conventional liquid crystal displays.

The technology is being adopted *in other sizes of* computer, *but the higher cost* has prevented its use on notebooks until now.

However, customised integrated circuits and a thinner display means that the new model, which sells for *Y438,000 (£2,000), is only 10* per cent more expensive than its LCD equivalent, with a similar battery life.

● The original developer of the portable computer has added to the current demand for backlit screens. *Grid Computer Systems'* new GridPad portable – operated with a *pen rather than a keypad* – uses a blu[redacted] display useful for people working *in conditions of low light.*

The backlighting halves the eight- to 10-hour battery life, however. The basic *model costs £1,995,* [redacted] £2,495 with a 20 Mbyte hard disk.

Meter readers at your service

FED UP with having to wait around for the electricity man to come and read your meter? GEC Meters, *of* Stone, [redacted], has developed a new system to pay bills automatically using the mains supply, writes Ben Watson.

The communications system, known as mains signalling, superimposes [redacted] high-frequency signal on the normal mains supply which carries credit information between con[redacted]r and supplier.

A [redacted] scheme is running in Newcastle for 20 customers who use coin-operated meters. Each pays credit into an account at the local electricity branch which is transferred, via the mains supply, *to the home. This credit,* along with any messages, is displayed on the meter.

GEC Meters hopes mains signalling can eventually be used to read every customer's meter and avoid the need *for door-to-door visits.*

Modern language in the laboratory

LANGUAGE laboratories, *despite their somewhat drab* reputation, could become easier to use with the creation of a computerised audio system, writes Laura Blair.

The system, made by Sony, incorporates a touch-sensitive screen and *interactive* software with digital audio cassette players.

On the teacher's screen the students are represented by icons. Simple touch commands enable the teacher *to arrange the students to* work individually or in groups, to follow a common lesson or to separate drills and monitor their progress.

The Sony language lab is already in use in Japan and *the US. The first UK users* include Eton College and London's King's College.

Freedom for the computer mouse

A WIRELESS mouse which allows presenters of video projection systems to stray from their seats could prove *useful* to all computer users, writes Ben Watson.

The "AirMouse" wireless control system, designed by Selectech, of Laguna Beach, California, incorporates a base unit, mounted on top of the video screen, which emits an infra-red beam that is picked up by the mouse. The beam allows the orientation of the mouse to be converted into screen co-ordinates, and this information moves the cursor on the screen accordingly.

Selectech believes the AirMouse, which costs £400, has applications beyond business, to controlling video and televisions in the home.

Contacts: S&S International: UK, 0442 877877. Update Computers: UK, 071 580 8121. Toshiba: Japan, 3 3457 2104. Grid Computer: UK, 081 597 6565. GEC Meters: UK, 0785 812111. Sony: Japan, 3 3448 2111; UK, 0256 483603. Selectech: US, 714 494 1400.

ARTS

Starbrites

TRICYCLE THEATRE, KILBURN

Having admired the Market Theatre Company in Johannesburg during the years of apartheid, it is a pleasure to see it in London now that the old system is on the way out. *Starbrites* is a song of praise to liberation and to the feeling of relief that set in with the release of Nelson Mandela.

I must admit that it is not entirely to my taste, since it relies heavily on the use of puppets, which is an art form that does not attract me, and I have never been wild about African singing and dancing. If you do not share those prejudices, however, clearly [illegible] a lot [illegible] enjoy.

The [illegible] *line* [illegible] *simple.* [illegible] guitarist returns [illegible] Soweto [illegible] play music [illegible] with his uncle only [illegible] find [illegible] uncle has given up the band for the bottle. To pay for the drink, the uncle sells "soft goods" (women's underwear [illegible] China) in [illegible] streets. [illegible] release [illegible] Mandela, [illegible] explicitly announced, that changes the [illegible]

[illegible] beginning the music is haunting and sad, played by the nephew alone. It becomes more lively and eventually joyous as the realisation spreads that [illegible] free and that the exiles are coming home. The uncle [illegible] playing again and the Starbrites band is reformed. The musical transition, matched by some subtle changes in the lighting, is cleverly done. Some people were whistling and shouting with pleasure at the end.

There are only two actors: Fats (and he is very fat indeed) Dibeco as the uncle, and Arthur Molepo as the nephew. Of their sheer professionalism there can be no doubt: they *play together very well. In a* splendid piece of fantasy, they react to the liberation by deciding they want to dress like Americans.

The rest are puppets and the best of the puppets are not the life-size figures, but the cats. These are furry little [illegible], one of them bright red. Sometimes they wail to be fed. When [illegible] are thrown a bone, they fight [illegible] fur really does fly. Sometimes they relax, as only cats can, and listen [illegible] the music. If you like puppets, you will [illegible] these and also perhaps a rather [illegible] alsatian that [illegible] only [illegible] There is, too, some skilful use [illegible] small puppet figures at the windows [illegible] the African houses and in the streets.

[illegible] for the [illegible] part I found the puppeteering [illegible] doubt the [illegible] life size [illegible] meant to portray broken spirits, [illegible] the symbolism is [illegible] bit heavy. There may [illegible] further symbolism in selling Chinese lingerie: if [illegible], that episode is not convincing. Possibly one [illegible] some *jokes, though* [illegible] *the one* [illegible] a pair [illegible] red and white frilly [illegible] Manchester United.

Still, mine may be [illegible] minority view. The production, directed by Barney Simon, [illegible] part of the London International Festival [illegible] Theatre and [illegible] Company is [illegible] welcome visitor.

Malcolm Rutherford

Fats Dibeco with Betty

Witty jewels of allusion

Susan Moore reviews an unusual exhibition at Goldsmiths' Hall

The seventh angel [illegible] the Apocalypse announcing the End of Time [illegible] serenely [illegible] the darkness to greet [illegible] From one hand, [illegible] by the [illegible] of drapery that [illegible] entire torso, springs an arc [illegible] irridescent rainbow, [illegible] tinging his [illegible] with prismatic colour. His pallid, haunting [illegible] framed by a mane of gold hair, [illegible] opalescent green. Gilding [illegible] strong brow [illegible] bee-stung lips. This extraordinary, [illegible] a jewel, a neckpiece pendant. It [illegible] introduction to the unexpected but strangely familiar terrain of [illegible] mind of [illegible]

To [illegible] Coates [illegible] jeweller [illegible] goldsmith [illegible] hopelessly inadequate, not [illegible] he [illegible] professional musician, mathmatician [illegible] musical [illegible] maker. [illegible] a jeweller, he [illegible] leapt [illegible] years and out [illegible] one of [illegible] Mannerist courts [illegible] Europe, stopping en [illegible] homage to Alfred Gilbert of [illegible] fame. Technically, [illegible] sumptuous and exquisitely crafted [illegible] sensitivity [illegible] unusual materials, seem [illegible] belong [illegible] world [illegible] the [illegible] In [illegible] of content, [illegible] is far more ambi[illegible]

Coates is unusual in combining technical virtusoity, invention and wit with the aspirations of a poet. A retrospective at the Goldsmiths' Hall (Foster Lane, EC2, until July 19) celebrates 17 years's work. It is evidence beyond doubt that, whether you like Coates's work or not, there is nothing else like it.

This is [illegible] jeweller who employs the language of allusion and metaphor, [illegible] rarely is meaning explicit. His [illegible] nant images [illegible] drawn from mythology, folklore and ancient civilisations, what Freud called the archaic [illegible] collective uncon[illegible] We find unicorns, mermaids, jackdaws and crouching frogs, gryphons, Greek inscrip*tions, underworld spirits* [illegible] deities and [illegible] journey [illegible] the [illegible] and the terrestial. [illegible] "archaic remnants" are what gives Coates's work [illegible] potency. His eclecticism and [illegible] him a Post Modernist [illegible] it had a name.

Out of the exhibition's appropriately Stygian gloom, glow a surprisingly diversity of objects. [illegible] apparent in the exhibits [illegible] well as [illegible] their display. For [illegible] philatelist, for instance, [illegible] the Angling [illegible] magnifying glass in which [illegible] stalking silver cat – [illegible] handle – crouches [illegible] a round glass pool and dips [illegible] still [illegible] net [illegible] Cufflinks relating [illegible] fall of [illegible] hang [illegible] Sunburst pin.

Most [illegible] Coates's work has [illegible] and the intensity [illegible] miniature. Despite [illegible] size, he [illegible] arresting our attention by exploiting the [illegible] opposites, whether colour, subject [illegible] The exhibition also [illegible] him [illegible] home on a larger scale, creating table centres, trophies and ceremonial cups, [illegible] endowed with [illegible] significance appropriate [illegible] owner or location.

A favourite device is the "Coates suspension". In the polychrome loving cup commissioned for Lichfield Cathedral, for example, [illegible] only thing stopping the cup from floating away is a pair of angels holding it down. Similarly, the Amity Cup made for the [illegible] Company is supported solely by the tails of the [illegible] leopard and the Fishmongers' luce. In the great [illegible] paw is a baroque pearl that is the luce's [illegible] of friendship and co-operation.

Direct experience [illegible] be [illegible] effective a point of departure [illegible] myth. Alongside the [illegible] pins [illegible] Harlequin brooches inspired by the Commedia dell'Arte [illegible] the chilling hybrid Zebraman, suggested by David Bintley's ballet, *Still-Life* [illegible] *Pengin Café*. Of carved and [illegible] ivory, its [illegible] fire opals, its [illegible] are [illegible] red.

Chrysoprase, labradorite, moonstone, opal, ipsolite, catseye chryoberyls, quartz and favoured gold, [illegible] alchemical ingredients. They [illegible] – [illegible] much in their names as their appearance – and [illegible] opulence [illegible] lends [illegible] Almost regardless of subjectmatter, [illegible] is unsettling, not nice. Perhaps its most striking characteristic [illegible] certain *fin-de-siècle* [illegible] not wholly [illegible] Gilbert.

Heads and bodies are wrapped in suffocating draperies like winding sheets, [illegible] of fingers. A [illegible] body with tumbling locks is draped across a stele of a magic square. Faces, masked in theatrical make-up, have a deathly pallor. At the close of the show, [illegible] loathsome, scaly Lucifer clambers [illegible] of a [illegible] granite. There [illegible] that [illegible] will [illegible] deemed one [illegible] the [illegible] remarkable jewellers-cum-goldsmiths [illegible] emerged from the end [illegible] the 20th century.

'Angel at the End of Time': neckpiece by Kevin [illegible]

BOOK REVIEW

From Handel to Janáček

Between them, the bright blue dust cover with a jolly print of [illegible] Viennese performance of an [illegible] version of *Fidelio* and the binding in Oxford's most dignified [illegible] blue tall [illegible] the contents of this book. [illegible] Dean is [illegible] our leading [illegible] on music. His scholarship, wide and deep, is conveyed with precision in clear, trenchant English refreshingly free from cloudiness or rhetoric. Great learning is lightly worn, and made excellently [illegible]

[illegible] 30 [illegible] collected cover [illegible] same number of [illegible] In origin they [illegible] from major contributions [illegible] Festchriften (tributes from var[illegible] hands) in honour of eminent musical figures and papers read to the Royal Musi[illegible] to short pieces (some [illegible] short) [illegible] reviews [illegible] periodicals [illegible] as [illegible] *Listener*. Subjects range from Handel (on whom Dean [illegible] a renowned authority) through Gluck, [illegible] Donizetti, Verdi, [illegible] Bizet (another of his special [illegible] Janáček.

Those [illegible] know [illegible] Dean's work will need [illegible] prompting. There [illegible] plenty [illegible] non-specialist [illegible] with the sort of [illegible] and curiosity that go beyond queueing [illegible] Pavaringo. Few readers who have heard [illegible] 18th [illegible] operas could fail [illegible] profit from the brief [illegible] masterly pages on Gluck's ambiguous position as [illegible] be entertained by [illegible] on [illegible]

[illegible] ON OPERA
by Winton Dean
[illegible] £40, 323 [illegible]

matrimonio [illegible] think they know [illegible] will understand the [illegible] and [illegible] composer [illegible] on [illegible] opera.

It is [illegible] while tackling [illegible] longer essays, forbidding though [illegible] the [illegible] may [illegible] Revolution", [illegible] full of interesting information about a period often supposed to be musically blank. Light is thrown [illegible] on [illegible] skilled detective work musicologists do, on why it is important for example for students of Handel to know, in [illegible] time when printed scores were not widely available, exactly who Handel's copyists [illegible] a given [illegible]

One of [illegible] most rewarding, under the not immediately enticing label "[illegible] mance of Recitative in Late Baroque Opera" [illegible] just what it [illegible] about [illegible] monoto[illegible] stretches [illegible] mumbled or gabbled Italian dialogue that [illegible] inexperienced lis[illegible] explains [illegible] treatment of [illegible] recitative can make all the dif[illegible] historical curiosity and a vivid drama capable of [illegible] non-specialist modern audience". That [illegible] not only [illegible] Baroque but [illegible] subsequent periods [illegible]

Finally, a welcome to some old friends – to the invaluable "Shakespeare in the Opera [illegible]" written for [illegible] 1964 quatercentenary and [illegible] true Carmen?", in which the author's guns were brought to bear, with famously lethal effect, on the Alkor Edition of Bizet's opera edited by Fritz Oeser, described by Dean as "a musicological disaster of the first magnitude". This book promises to be a permanent source of *enlightenment* and pleasure.

Ronald Crichton

The Soldier's Tale

ALMEIDA THEATRE

It seems odd [illegible] spending midsummer encamped [illegible] the Almeida; [illegible] absence [illegible] annual Contemporary Music Festival [illegible] (for reasons never quite explained) [illegible] a gaping [illegible] in [illegible] musical profile, that is unlikely to [illegible] filled in the foreseeable future. Meanwhile Mecklenburgh Opera's Stravinsky [illegible], running at [illegible] Almeida until [illegible], [illegible] a small compensation. Presented under the auspices of the [illegible] Switzerland. [illegible] offers [illegible] convincing evening [illegible] music [illegible]

John [illegible] production transports the ageless morality [illegible] Britain in the 1950s; the Nar[illegible] (Timothy Davies) is a [illegible] Everyman, [illegible] Soldier (John [illegible] black[illegible] wide boy [illegible] the Devil a [illegible] comic, an [illegible] with machine-gun [illegible] played [illegible] pace by [illegible]

In the English version [illegible] Michael Flanders and Kitty Black it moves along robustly, full of [illegible] incident, while Cathy Burge's wispy minimalist dances are woven in and around the cartoon [illegible] It all [illegible] just [illegible] couple [illegible] times, moments [illegible] wishes that Stravinsky's [illegible] not [illegible] used, and [illegible] ending [illegible] protracted, but [illegible] Manson keeps [illegible] alert grip on the instrumentalists, though they [illegible] high definition.

The production is prefaced by [illegible] piece by Diana Burrell, commissioned [illegible] show. *Lucifer* is [illegible] lucidly outlined [illegible] trumpet [illegible] violin, steadily [illegible] in pitch and tracing "the path of [illegible] archangel", [illegible] composer [illegible] it. But [illegible] strong, [illegible] the matching [illegible] ideal; given [illegible] piece it makes [illegible] pallid beginning [illegible] an evening [illegible] filled [illegible] pungent invention.

Andrew Clements

Vincenzo Nicoli and John Skitt

Yvonne Howard

COVENT GARDEN

Miss Howard is a [illegible] parts, especially operatic ones [illegible] recently, an upstanding Mercedes in the Royal Opera *Carmen*), and it was good to hear her in a recital-pro[illegible] on [illegible] That was in the RO's Young [illegible] in [illegible] Not many people know about it, which is [illegible] pity; it draws [illegible] reliable audience well past their middle years, with scouts [illegible] too, [illegible] a greater variety [illegible] would [illegible] an [illegible] One felt [illegible] Miss Howard [illegible] instinctively adjusting [illegible] to [illegible] audience [illegible] a certain [illegible] gentility – in ways which might [illegible] a [illegible] range [illegible] listen[illegible] downright naff.

She sang [illegible] *(and cycles)* by [illegible] Granados, Turina and Montsalvatge: all intimate, mostly playful, often [illegible] stuff – and inseparable from [illegible] non-English words. The usual thing [illegible] anxious [illegible] communicate [illegible] language barrier, Miss Howard [illegible] determinedly bright and engaging, with many [illegible] roguish nod [illegible] wink in [illegible] phore. Perhaps [illegible] really [illegible] no [illegible] solution, [illegible] and until enough English [illegible] pithy, singable translations (or, still [illegible] likely, [illegible] all [illegible] multilingual). Nonetheless, I thought [illegible] generalised platform manner made a net loss.

In the Bizet songs, as later too, her rhythmic acuity gave constant pleasure; the "Adieux de l'hôtesse arabe" was deliciously ironic and well-sprung. Her pianist Scott Mitchell was an ideal [illegible] and musically imaginative but unobtrusive. Yet her French, if not quite "incorrect", was curiously opaque – diction [illegible] bland and foreign: [illegible] minute attention to verbal sense went for too little.

For the rest of the programme her Spanish served much more tellingly (though I can't vouch for the accent), and the nods and winks were just excess baggage. So too, I thought, was her winsome fast vibrato on long [illegible] at the [illegible] phrases; [illegible] in Turina and Montsalvatge, an astringent non-vibrato can pack more expressive punch than that hyper-cultivated sound. The Howard voice, with all its considerable resources, aims too narrowly at smooth, familiar appeal to do justice to itself – nor to Miss Howard's cool intelligence, either. A stint of groaning, screaming and generally carrying-on with, say, the Opera Factory might unbutton her dramatic potential to great effect.

David Murray

INTERNATIONAL ARTS GUIDE

EXHIBITIONS

AMSTERDAM
Van Gogh Museum Japan: [illegible] Gogh's Utopia, examining the [illegible] of Japanese prints [illegible] on [illegible] life [illegible] work of [illegible] Gogh. [illegible] 22. Daily
BARCELONA
Fundacio Joan Miro Wols and [illegible] exhibition [illegible] paintings, photographs and illustrated books by [illegible] German experimental artist [illegible] Wolfgang Schulze, [illegible] installations by the "transvanguard" Italian artist Enzo Cucchi (b1949). Ends Sep 15.
BERLIN
Kunstgewerbemuseum Fayence [illegible] Stralsund: [illegible] century glazed earthenware from the [illegible] the craft [illegible] Fayence flourished. Ends July 21. [illegible] Mon and Tues
Schloss Charlottenburg Imperial Art from the Dutch Exile [illegible] Kaiser Willem II: paintings, sculpture and artefacts, including silver [illegible] furniture from the time of [illegible] the [illegible] Ends Sep 29. Closed Mon
CHICAGO
Art Institute Degenerate Art: The Fate [illegible] the Avant-Garde in [illegible] Germany, featuring the [illegible] held up [illegible] public mockery in 1937, [illegible] later won recognition [illegible] of their realm. This [illegible] a widely [illegible] exhibition originally mounted [illegible] the [illegible] Angeles County Museum. Ends Sep 8. [illegible] The Gold [illegible] Jewelry [illegible] Ornaments from Ghana, Ivory Coast, Mali and Senegal. Ends Aug 25. [illegible] 18th and 19th century Staffordshire [illegible] by potters such [illegible] Wedgwood, Astbury [illegible] others, from the [illegible] Harry [illegible] Ends [illegible] 27.
DRESDEN
Zwinger Exhibition [illegible] rare [illegible] porcelain dating from early 18th century, plus a [illegible] of 18th and 19th century [illegible] *drawings from the Eduscho collection.* Ends [illegible] Mon
EDINBURGH
Scottish National Gallery of Modern [illegible] E.W.Nay: paintings [illegible] drawings 1928-68. [illegible] rare British showing of the intense, [illegible] Ernst Wilhelm Nay, a [illegible] figure in [illegible] development of [illegible] art [illegible] postwar Germany. Ends July 21. [illegible]
FLORENCE
[illegible] **Buonarroti** [illegible] Gentileschi (1597-1651/3), follower *of Caravaggio and possibly the* most famous woman [illegible] of all time. The exhibition includes 30 paintings from Italian and foreign museums, together with several masterpieces by her father Orazio. Ends [illegible] 4. [illegible]
FRANKFURT
Schirn Kunsthalle From Expressionism to the Resistance: Art in Germany [illegible] The Marvin and Janet Fishman [illegible] the development [illegible] Expressionism and the [illegible] against it in the [illegible] Aug 18. [illegible] Chagall: the [illegible] years (1906-22), with 250 oils, watercolours, drawings and [illegible] Sep 8. Daily
Jüdisches Museum [illegible] Dicker [illegible] (1898-1944), [illegible] killed in Nazi [illegible] camp. Ends July 28. [illegible] Mon
THE HAGUE
[illegible] in [illegible] 250 miniatures from 16th [illegible] 20th century [illegible] from [illegible] Royal and [illegible] collections, some mounted in medallions, [illegible] and on [illegible] Ends Aug 18. Daily
LONDON
Hayward Gallery Richard Long (b1945): Walking in Circles, a [illegible] *sculptures, mud* [illegible] and photographs inspired by walks in landscapes as varied as Dartmoor, [illegible] Himalayas and the [illegible] Ends Aug 11. Daily
National Gallery Guercino in Britain: an [illegible] bringing together 27 paintings from British public [illegible] private collections to mark the 400th anniversary of the birth [illegible] Barbieri, known as Guercino (1591-1666), one [illegible] finest 17th century Italian artists. Ends July 31. *Daily*
Royal Academy The Fauve Landscape: Matisse, Derain, Braque and their [illegible] 1904-1908, with 75 paintings showing how the [illegible] vibrant colour [illegible] express their subjective and emotional response [illegible] landscape. Ends Sep 1. [illegible] Summer exhibition, with work by Vieira da Silva, Jasper Johns, Willem De Kooning, Norman [illegible] and many [illegible] Ends Aug [illegible] Daily
[illegible] **Gallery** John [illegible] largest-ever [illegible] English artist's work. [illegible] Sep 15. Daily
Walpole Gallery The Cinquecento: more than [illegible] Italian paintings and [illegible] drawings, including [illegible] by Tintoretto, [illegible] and Carracci. [illegible] July [illegible] Sun
MADRID
[illegible] **Nacional** [illegible] Joaquin Torres-Garcia: 120 paintings and sculptures tracing [illegible] development [illegible] the Uruguayan who helped pioneer modernism in Latin America before his death in [illegible] Ends Aug 12. [illegible]
MUNICH
Villa Stuck Genuine [illegible] art of copying by [illegible] Bidlo, with *numerous startling examples.* Ends Aug [illegible] Mon
NEW YORK
Metropolitan [illegible] **Art** Masterpieces [illegible] Impressionism [illegible] Post-Impressionism: The Annenberg Collection, including [illegible] by Gauguin, Cézanne, [illegible] Gogh, Renoir and Degas. [illegible] 13. [illegible] The Art of Paul Manship: retrospective of one of America's foremost sculptors. Ends Sep 1. Also Sculpture [illegible] Indonesia. Ends Aug [illegible] *Mon*
Museum of Modern Art [illegible] Reinhardt (1913-67): the first full-scale retrospective. Ends Sep 2. Also The [illegible] and Parks of [illegible] Burle Marx, [illegible] century landscape architect; plus [illegible] Printmakers, showing how Hockney, Rauschenberg and [illegible] redefined possibilities [illegible] print in the 1980s. Ends Aug 13. [illegible] Wed
PARIS
[illegible] **Georges Pompidou** [illegible] (1896-1966): wide-ranging [illegible] recreating [illegible] of one [illegible] the leading [illegible] Surrealism. Ends Aug [illegible] Tues
[illegible] **Daniel Malingue** [illegible] Kisling: retrospective of [illegible] member [illegible] the cosmopolitan [illegible] Paris. Ends July 14. [illegible] Sun
[illegible] **Schmit** French [illegible] 19th and 20th centuries: annual exhibition dominated [illegible] year by a jewel-coloured Rouault. Ends July 18. [illegible] Sun
Grand [illegible] From Corot [illegible] the Impressionists: [illegible] Dejeuner *sur l'Herbe* [illegible] the highlight of this exhibition in homage [illegible] Etienne *Moreau-Nelaton*, [illegible] greatest modern [illegible] of the Louvre and other French public collections. Ends July 22. [illegible] retrospective. Ends Aug 12. [illegible] Tues
Louvre Pavillon de Flore Spanish Drawings: [illegible] the 16th and 17th centuries, with works from the Louvre and Spanish museums. Ends July 22. [illegible] Tues
Louvre [illegible] **Antiquaires** Seating power: [illegible] development of seats as furniture, including *a maharajah's throne, guilded* Louis XIV armchairs [illegible] nouveau chairs. Ends Aug 16. Closed Mon
Louvre objets d'art department [illegible] newly opened room housing the Edmond de Rothschild donation, ranging from Hellenistic goldsmiths' [illegible] Watteau and Fragonard drawings, [illegible] porcelain and 18th century French furniture. Closed Tues
Trianon [illegible] **Bagatelle** Impressionism in Romania: in the delightful setting [illegible] Bagatelle park in [illegible] Bois [illegible] Boulogne, the exhibition shows the influence of French [illegible] on four Romanian painters [illegible] 1865 [illegible] 8. Daily [illegible] at all [illegible] and museums, [illegible] queuing [illegible] museums including the Louvre, [illegible] d'Orsay and [illegible]
ROME
Capitoline museums [illegible] **Accademia Valentino** Valentino: Thirty [illegible] of Magic. Valentino [illegible] handed himself [illegible] of [illegible] that [illegible] gracefully on designers already dead, with a show spread over [illegible] (the profits of which will [illegible] the charity [illegible] up by Elizabeth Taylor for [illegible] victims). The Capitoline museums (ends July 28, [illegible] Mon) show photographs of Valentino designs, while the Accademia (ends [illegible] 5, daily) has 300 outfits [illegible] 1960 and [illegible] with their original [illegible] some surprisingly undated. The intelligent eye [illegible] the designer shows in the [illegible] sources – William Morris wallpaper, [illegible] pottery, Bronzino portraits and Tiffany *lamps*, [illegible] *inspiration* [illegible] drawn for [illegible] exquisite designs [illegible] lavish embroideries
Palazzo Ruspoli The Mark of [illegible] 100 [illegible] master drawings from mid-15th [illegible] late-18th centuries, all of exceptional quality, lent by the Ashmolean Museum in [illegible] Mainly Italian, with five Raphaels including the so-called self-portrait, [illegible] several of Michelangelo's studies for the [illegible] Chapel, [illegible] a delightful Boucher and unusual [illegible] by [illegible] Hals, Fragonard and Ingres. [illegible] July 28. Daily
ROTTERDAM
[illegible] **Boymans-van Beuningen** [illegible] pottery: [illegible] earthenware and [illegible] from around 1600, [illegible] from the Van Beuningen-de Vriese archaeological collection. Ends Sep 15. Also [illegible] van der [illegible] years of ceramics, many of which [illegible] by an abstract-geometric idiom. Ends Aug [illegible]
VENICE
Fondazione Cini Michelangelo [illegible] the [illegible] Chapel: photographic and [illegible] documentation of [illegible] restoration, prints [illegible] inspired by the [illegible] *and a group of original drawings* [illegible] Michelangelo. Ends July [illegible] Mon
VIENNA
Kunsthistorisches Museum Gold from the Kremlin: 100 works from [illegible] era of the Tsars, many never previously seen outside Moscow, including the gold crown [illegible] Great. Ends [illegible] 1. Closed Mon
WASHINGTON
National Gallery Chardin's Soap Bubbles: three autograph [illegible] *of* [illegible] *composition* [illegible] a boy blowing soap [illegible] by the 18th century French [illegible] Jean-Simeon Chardin. [illegible] Robert Rauschenberg (b1925): multi-media exhibition featuring [illegible] examples of the influential American artist's recent work, much of it inspired by [illegible] in Latin America and Asia. Ends Sep [illegible] Daily

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Computing in crisis

COMPUTER makers often point out that if car manufacturing had matched their rate of innovation, a Rolls-Royce would cost £1,000 and run several hundred miles on a gallon of fuel. That boast has a hollow ring today, [redacted] much of [redacted] world's computer industry [redacted] threatened by the relentless technological change which once provided its prosperity.

The industry turmoil [redacted] accentuated by slower economic growth, particularly in the US [redacted] Europe. However, [redacted] real [redacted] run deeper. They stem from structural upheavals provoked by rapid advances which enable ever more powerful microchips to be produced at steadily lower prices. The impact is likely to spread in time to Japanese computer makers, which owe much of their current strength to the buoyancy of their insulated home market.

Availability of cheaper and cleverer chips has led more suppliers to enter the computer market, while product lives have shortened and small machines have displaced large mainframes as the engine [redacted] sales growth. The result is [redacted] fiercely competitive and volatile business, in which many types of equipment [redacted] become commodities. Margins have been further squeezed by an industry-wide move to common standards, which has made it harder for suppliers to differentiate their products.

These trends have exposed traditional computer makers as lumbering giants, weighed down by top-heavy cost structures. Many have responded by shedding staff and by forging alliances to develop and make new products, as International Business Machines has recently done with Siemens of Germany and Apple of the US. But while these measures may yield savings, they do not address the central problem.

Arrogant belief

The power which proprietary standards once gave suppliers over their customers induced an arrogant belief that they could continue forever to force-feed largely captive markets with high-priced hardware. Not only is that power waning, but there are increasing signs of market saturation. They are particularly apparent in the US, where huge investments by business in information systems have conspicuously failed to enhance productivity.

If suppliers are to stand any chance of re-kindling sustained growth to compensate for the declining value-added on hardware, they must find ways to help their customers to get more out of their computers. Competitive advantage will no longer be based on the technical performance of equipment but on the ability to build mutually-reinforcing relationships with users and acquire a detailed understanding of their businesses. That requires a radically new approach by an industry which has long lived by the maxim of "stack 'em high and sell 'em fast".

Driving force

In short, marketing is gaining the upper hand over technology as the driving force of growth, while the industry's fortunes are increasingly determined by the way its products are applied. The implications of this sea-change extend well beyond the suppliers who are seeking to grapple with it. There are also lessons for policymakers, particularly in the European Community, which has given a high priority to maintaining control over "strategic" electronic technologies.

In practice, this has often boiled down to plying uncompetitive European-owned producers with subsidies and trade protection – with little positive effect on their performance. The EC needs to rethink its approach, for two reasons. First because the concept of a self-sufficient indigenous electronics sector is being rendered obsolete in a global industry which is being radically re-structured by takeovers and alliances.

The second reason is that as computers and other types of electronic equipment become increasingly embedded in the economy, the benefits from using them effectively exceed the gains from producing them. That does not mean that Europe should abandon efforts to strengthen its technology base. But the aim should be to enhance the competitiveness of strong user industries, not to shore up weak producers.

China shows its clout

THE ARGUMENT over a new airport for Hong Kong has always been at root political. That it should be resolved with a decision by the British prime minister to visit Beijing only serves to underline this, for at stake has been the degree to which China can exert influence over Hong Kong before and after Britain relinquishes control in 1997.

The British government says China's backing for the project represents a victory both for Britain and for Hong Kong. Some will say it demonstrates Mr Major's ability [redacted] cut through tangled [redacted] and strike a deal – he had taken a personal interest in the issue, charged the new ambassador to China with sorting it out, and then sent his own adviser to Beijing.

While there may be something in this, the most striking political judgment about the accord is the scale of success it represents for China. Beijing has set a significant precedent for its role in Hong Kong's affairs and furthered its post-Tiananmen Square rehabilitation in the international community.

Under the 1984 Sino-British Joint Declaration, the colony is to become a Special Administrative Region of China when Britain's lease on much of the territory runs out in 1997. Its "high degree of autonomy" for 50 years applies to all matters, except defence and foreign affairs.

The declaration, agreed while China remained on a reformist path, made no provision for intervention by Beijing in issues such as airport-building. But since Tiananmen, China has argued persistently that it allowed for consultations on issues which straddled 1997.

Beijing's victories

Yesterday's agreement contains a number of victories for Beijing. The Bank of China will appoint a representative on the airport authority board and will play a part in loan syndications. Chinese construction companies will bid for work. There is a low limit on the amount of project finance which can be raised for repayment after 1997 without asking Beijing for permission. China has [redacted] guarantee that at least HK$25bn will be left in Hong Kong's foreign exchange reserves at the handover.

These terms, however, do contain compromises: Britain had sought no borrowing limit; China had wanted HK$50bn of reserves and veto power on the authority. But the very fact such an agreement has been struck represents a recognition of a greater role for Beijing in Hong Kong's affairs than Britain envisaged in 1984. In return, the airport will be built. Hong Kong and its business community have argued that without it, business confidence in the colony would drain away, eventually killing its unique entrepôt status.

Existing mistrust

That consultations with Beijing on the airport should have turned into a cliff-hanging negotiation points up the mistrust which exists between the parties. In the end, the British position represents a realpolitik which reflects the reality of China's future influence.

In consultations over many other issues which will occur before 1997 – the appointment of judges to a new Final Court of Appeal is one such – Hong Kong and London will struggle to strike the right balance between toughness and realism. The reinforced series of bilateral meetings announced yesterday should help to give early warning of contentious issues. In discussions about them, principled protection of the rights of the people of Hong Kong should continue to be Britain's priority.

Britain's hand is not empty in this poker game. China will wish to continue to advance its status in the international community – recently enhanced by indications that the US will renew its most-favoured nation status, by the Japanese premier's planned trip to Beijing, and now by Mr Major's.

Given improved communication between London, Hong Kong and Beijing, the years between now and 1997 can be profitably used for the benefit of everyone involved. A China which understands in detail the British position and sets it in the context of its overall relations with the west, will be less prone to rash behaviour.

IBM is planning wrenching changes to retain its dominant position in the turbulent world computer market, writes Louise Kehoe

Lumbering giant starts to stir

The five years since Mr John Akers became chairman of International Business Machines have been among the most turbulent in the computer company's history. The past five months have been possibly the worst.

In March, IBM reported dismal first-quarter earnings. Wall Street was warned that second-quarter results would also be disappointing. To make matters worse, Mr Akers's purported remarks to a group of IBM managers, that the company's business is "in crisis", have made waves in the press.

Yet even as IBM is assailed by headlines predicting its impending death, it is making uncharacteristically bold moves to boost sales and counter competition. On Wednesday, the company unveiled an unprecedented alliance with Apple Computer to collaborate on personal computer technology. This followed a strategic agreement to sell computer hardware to Wang Laboratories. Yesterday, IBM announced an accord to make the world's most advanced memory chips in collaboration with Siemens of Germany. These tie-ups illustrate the company's determination to find new avenues for growth, its desire to prevent Japanese competitors increasing their dominance in crucial areas of the electronics industry, and its need to spread the huge costs of developing the most advanced technologies.

At the same time as it is aggressively pursuing new opportunities, IBM is also preparing to make wrenching changes in its organisation. Survival is not the issue. IBM's enormous financial resources ensure that it will continue to operate for decades. What is in question is whether the company can regain its financial momentum by improving profit margins, and whether it can reverse its declining share of important segments of the business.

> 'In this environment, there are going to be winners and losers. IBM is going to be one of the winners.'

Until [redacted] mid-1980s, IBM seemed [redacted]. Sales [redacted] profits reached a record $11.6bn in 1984. In the mistaken belief that growth would continue unabated, IBM expanded production, hired tens of thousands of workers and projected that revenues would reach $100bn by 1990.

Instead, growth slowed. IBM responded by repeatedly reorganising, consolidating operations and trimming its workforce through early retirement and by not replacing staff.

Despite these adjustments, IBM still has pockets of corporate "fat" that are adversely affecting productivity and inhibiting its ability to respond to rapid changes in the computer market. Advances in semiconductor technology and the trend towards standardised "open system" software, combined with the recession, are causing what Mr Akers calls a "fundamental structural change" in the industry.

"In this environment, there are going to be winners and losers. IBM is going to be one of the winners, I'm very sure of that," Mr Akers stresses. But IBM's sheer size has meant that it has seemed like a lumbering giant, unlike to respond rapidly to changes in the computer market. Last year it had revenues of $69bn, and more than 374,000 employees, making it one of the world's largest manufacturing companies.

In an effort to overcome the inevitable inertia of such a huge organisation and to emulate smaller, nimbler competitors, IBM is "disaggregating" its business. Mr Akers wants to form independent business units within IBM that will be measured in terms of their individual revenues and profits. This step marks [redacted] in [redacted] structure, where managers will from now on be assessed in terms of the results of their units.

"The more we can have individual business independence, the faster on our feet we will be, and the quicker we will come to market, and the more skilled our people will be in that business. We are moving from an environment of generalists, in marketing for example, to an environment of specialists. The more specialised our sales and service force is, the more skilled it will be and the more valuable it will be to our customers."

Getting products to market faster is critical to the effort to boost sales. IBM has been very late in entering both the workstation and laptop personal computer markets two of the fastest-growing areas. "We must address markets more adroitly than we have historically," Mr Akers acknowledges with characteristic understatement.

The global trend towards focusing on specific market sectors also poses a challenge. While the white-shirted IBM salesman was once an industry model, renowned for his in-depth knowledge of IBM products, today he or she is also required to have a thorough understanding of the customer's business whether banking, retailing or manufacturing.

Critical to the success of IBM's strategy is improved productivity. Mr Jack Kuehler, IBM president, says: "It is more than just resources, it is more than numbers of people ... it is the quality of the workforce. It is are you putting your money where the returns are greatest? Where you are making long-term investments, are you sure you are right?

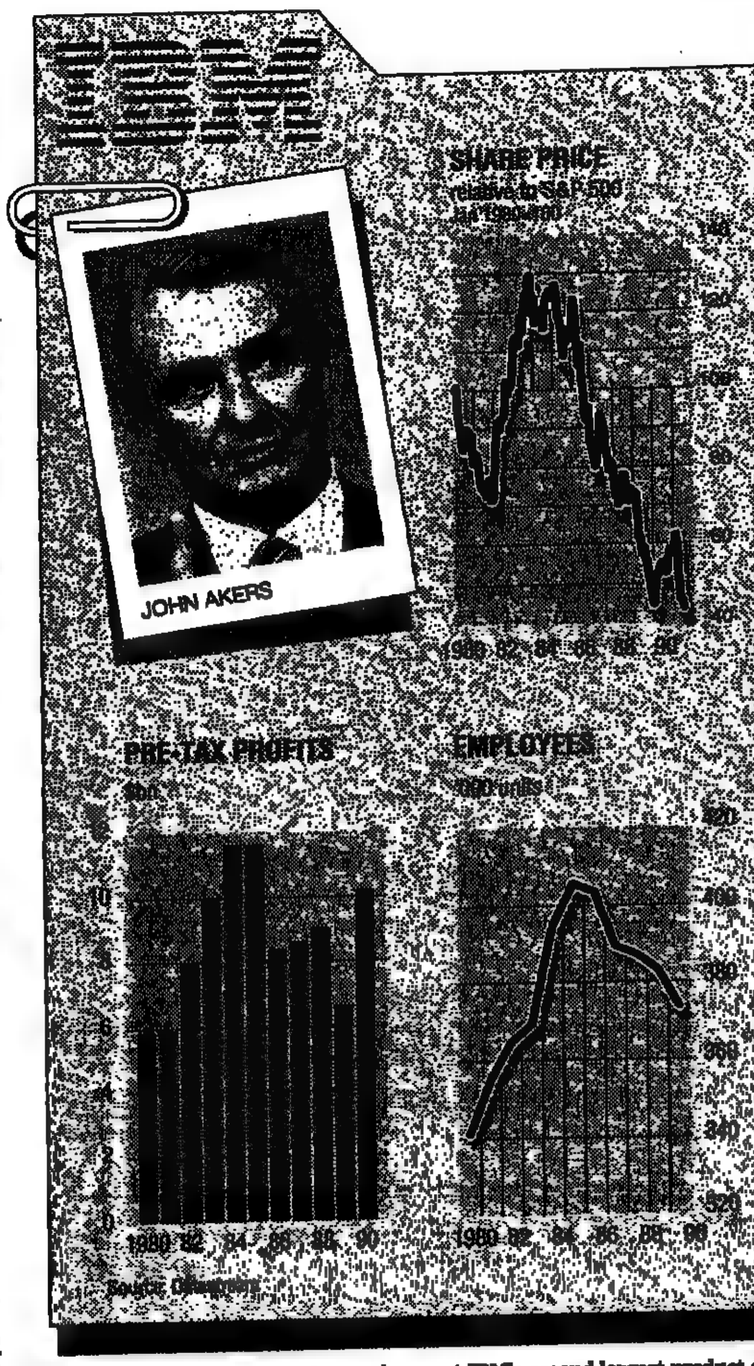
Drastic cost-cutting appears essential if IBM is to boost its profit margins. Although Mr Akers is not tipping his hand, IBM-watchers expect the company to announce plans to axe as many as 25,000 people. IMB is also expected to consolidate operations this summer, and to make a multi-billion-dollar charge against earnings.

Mr David McKinney, former head of IBM's European operations, has been put in charge of "reducing overheads". His brief will include identifying the "core competencies" of the company and those peripheral operations that can be spun off.

"I'm not prepared to say that we need to do something radical, and if the time were here that it was necessary to do that, I certainly could not announce that through the media," says Mr Akers guardedly.

Inside IBM, what has caused the most alarm are the chairman's calls for improved performance from all employees. He has instructed managers to identify poor performers and encourage them to leave the company. "I think that it is appropriate in difficult times to point out that the competition is fierce and that one needs to respond by working smarter and in some cases working harder," Mr Akers says.

But some employees feel he places part of the blame for the recent disappointing results unfairly on their shoulders. [redacted], Mr Akers replies.



"My remarks were meant to be a rallying cry for managers, not a commentary on IBMers in general."

He says long-term trends cannot be extrapolated from two quarters of disappointing figures. A strong rebound in earnings next year is forecast by financial observers. They point out [redacted] IBM's sluggish sales, and [redacted] decline in its market share, are explained by [redacted] in [redacted] before a new product comes on to the market, as well as by the recession. In particular, mainframe sales, which generate more than 60 per [redacted] IBM's profits, have dropped in anticipation of shipment later this year of its new high-performance Enterprise System 9000 mainframes.

In personal computers, which represent IBM's second-largest product segment, the company's dominant market share is waning. But IBM has plans to boost its personal computer sales by offering cheaper models under the product labels of other companies. In the long term, IBM's alliance with Apple Computer could give [redacted] personal computer products a competitive edge. The plan is to form a joint venture [redacted] will develop advanced personal computer software which both IBM and Apple will offer on future products.

IBM's recent agreement with Wang Laboratories is also a trend-setter. This arrangement, under which IBM will supply Wang with computers to resell under its own name, is one of the [redacted] big "Original Equipment Manufacturer" contracts signed by IBM. Such [redacted] could help IBM to become a manufacturing powerhouse which sells its products through the distribution channels established by former competitors.

IBM will sell virtually any part of its technology to other computer companies, says Mr William Bowles, assistant [redacted]al manager for OEM business. "Nothing [redacted] sacred." This represents an about-turn for IBM, which has seldom followed this path; Mr Bowles admits his efforts to build OEM sales encounter varying degrees of enthusiasm in the company.

Being open and ready to respond to change will, however, be a key to success in the 1990s, IBM recognises. "We are really working hard not to be trapped or captured by the rules of the past," says Mr Kuehler.

One of the most difficult rules for IBM to break has been its traditional adherence to proprietary software. While rivals such as Hewlett-Packard, Data General and NCR whose sales have been less severely affected by the downturn have embraced versions of AT&T's Unix as a "standard, open" computer-operating system, IBM remains lukewarm.

Unix does not equal open systems, IBM maintains. What customers really want is "inter-operability, and portability", or the ability to link different types and brands of computers to share data and applications programs, IBM believes. Its app[redacted] to "open systems" is, therefore, [redacted] ensure that its own systems software adheres to industry standards. The company has gone so far as to write software that will run on competitors' computers, so that the computers can be integrated into an IBM network, but that has been a "difficult cultural shift", within IBM, according to Mr [redacted] Schneider, IBM vice-president, worldwide development.

[redacted] to change is, however, diminishing. "The [redacted] has changed, and we must change too," says Mr Walton Burdick, IBM senior vice-president personnel. The [redacted] example is IBM's shift towards "services" such as systems integration and facilities management, driven by customer demand for external support in managing increasingly complex information technology systems.

Ultimately IBM's target is the $100bn market for computer services that is growing at about twice the pace of hardware sales. To hit the mark it must develop new skills and overcome assumptions that IBM "consultants" will always recommend that their customers buy IBM computers. Established computer services companies, such as Andersen Consulting, are skeptical about IBM's ability to be seen as impartial, but they cannot dismiss the power of the industry giant.

Mounting competition in its stronghold, the corporate data centre, is also forcing IBM to seek new opportunities. While IBM still rules the market for mainframe computers, with a 44 per cent share of the world market, the role of the mainframe is being diminished by the rise of distributed computing based upon networks of desktop and minicomputers. The "death of the mainframe" is, however, exaggerated. "We feel pretty positive about the growth potential of large systems," says Mr Irving Wladawsky-Berger, assistant general manager of IBM's mainframe business.

His confidence will be tested by IBM's only serious group of [redacted] – [redacted] Japanese. "Japanese computer makers are and will remain among the most challenging competitors that IBM faces," says Mr Akers. "The competition is fierce and we must execute perfectly."

IBM is, he acknowledges, at a crossroads. While defending itself against frequent Japanese inroads, the company must continue to find new ways to marry its enormous resources with greater agility if it is to find the right direction [redacted] the rapidly changing world computer market of the 1990s.

OBSERVER

Cometh the hour...

■ Who is responsible for the about-turn in American policy [redacted] Yugoslavia? The answer [redacted] Lawrence Eagleburger, the 60-year-old US deputy secretary of state.

A former ambassador [redacted] Belgrade, he has accomplished the shift virtually single-handed. No longer is the Bush administration upholding the union at any cost, being now ready to offer Slovenia and Croatia the prospect of recognition provided independence is reached peacefully.

Career diplomat Eagleburger is not one of the confidants surrounding the secretary of state himself, James Baker. While many of the inner circle such as chief spokeswoman Margaret Tutwiler are a[redacted] tacticians, their grasp of history is questionable.

Baker's recent speech on Yugoslavia, raising the spectre of the 1914 Balkan crisis in pointing to the risks [redacted] disorder spreading in central Europe, may have been well intended. It certainly made many state department career diplomats grimace at the flawed comparison with the run-up World [redacted] One.

By contrast, Eagleburger has shown refreshing confidence and candour. He deplored the Serbian Marxists, and spoke out early in favour of the "market oriented, democratic" forces in Slovenia and Croatia. The central government was fast losing relevance, he said in that wheezy voice betraying his emphysema.

Alas for Baker, his speech has rebounded in accusations that his stated approval of preserving the territorial integrity of Yugoslavia may have encouraged the Serbian-dominated Yugoslavian military's drive to crush the breakaway republics. The charge is unfair as it over-estimates not only his own, but Washington's influence.

Even so, the secretary of [redacted] must be relieved to [redacted] up by [redacted] a safe pair of hands when, occasionally, he drops the diplomatic ball.

Over the top?

■ "The old man's not known for overpaying", says City public relations eminence Alan Parker, on hearing his dad's First National Radio company has won Britain's first national commercial radio licence.

But as Sir Peter Parker's consortium probably bid over three times as much as rival Jimmy Gordon's UKFM, there's room for doubt. Lord Hanson is among the smart money merchants who backed Gordon. With no quality hurdles and only three bidders, [redacted] is convinced Parker's lot paid far too much. He will be there to pick up the pieces if it all goes wrong.

Robert Kennedy, the [redacted] ness brain behind [redacted] National Radio, is unrepentant. He has a good record in establishing new media ventures and expects the latest to generate a return exceeding 35 per [redacted] annually over [redacted] eight-year life.

Saying it should be profit[redacted] year three and projecting £40m a year turnover with [redacted] overheads, Kennedy is confident he'll have no trouble raising the £15m or so needed via a private placement in the City. A shade incautiously, however, he tells me some potential investors may have to be scaled down.

Perhaps they should talk to Jimmy Gordon first.

Out of the bag

■ China-watchers, recalling the political anthems of Mao's era such as "The East is red", suspect they're about to see a resurgence of pressure for liberalising economic

"Never mind your Croats, what about my turnips?"

reform to the strains of "What's new, pussycat".

The cat concerned is the one 86-year-old titular [redacted] Deng Xiaoping popularised in his active reforming days by saying: "It matters not whether a [redacted] or white as long as [redacted] mice."

Deng has now retired from all main government and Communist Party posts, and his economic reforms have been rolled [redacted] by hardliners since the putdown of pro-democracy demonstrations two years [redacted]. His cat, once famous, has meanwhile stayed in the bag.

But it seems to be out again, albeit after a bit of plastic surgery, according to Beijing's China News Service. CNS quoted Deng as saying the test of policies should now be whether "they are beneficial to the development of productive forces."

Moreover it coupled remarks about the "handover of power [redacted] the third-generation leadership" with Communist Party leader Jiang Zemin, Deng's apparent protégé.

The new generation, CNS added, "with Jiang Zemin as [redacted] will take bolder steps forward in the future under the guidance of Deng Xiaoping's new cat theory."

Strange echo

■ Are South African President F.W. de Klerk's [redacted] rub[redacted]bing off on the African National Congress? Yesterday the ANC declared itself strongly in favour of the principle of affirmative action, but in the best conservative traditions declined to practise [redacted].

The issue [redacted]sal [redacted] one third of members elected to its new national executive must be women. After hours [redacted] contention, it [redacted] "Although we support the principle of affirmative action, we don't think the quota system [redacted] best," an spokesman [redacted].

As it happens, de Klerk recently voiced something strangely similar about affirmative [redacted] for [redacted] Africans: "I don't think one should ever... relinquish the principle of merit just for the [redacted] numbers."

Exactly, agrees the ANC – [redacted] least for number[redacted] women.

Censored

■ [redacted] tips his [redacted] fear[redacted] fellow-hack William Cash, a trainee on The Times, for ringing up Britain's national newspaper editors asking what they are paid. Given all the editorialising about "snouts in the trough", it seemed a subject worthy of inspection especially when newspaper profits are in steep decline.

He sa[redacted] in the Specatator that only the Independent's Andreas Whittam Smith, who's chief executive as well, spilled the beans – £113,000 a year. The rest (the FT include[redacted]) made clear that the line [redacted] questioning was unwelcome.

David Lipsey, deputy editor of The Times, summed it up nicely by telling his ambitious underling: "You're walking into [redacted] minefield with nothing [redacted] your [redacted]"

John Elliott on the significance of the UK-China agreement to build [redacted] new airport in Hong Kong

Clear for take-off – at [redacted] price

Hong Kong will never be quite the same. After nine months of diplomatic brinkmanship which severely shook local business confidence, the UK and China have agreed to go ahead with a HK$100bn international airport for the colony. But the Sino-British agreement, announced yesterday, will not in itself assure Hong Kong of a smooth ride between now and the return to Chinese sovereignty in 1997; it will also help Beijing to build up its influence there, and could still be a prelude to further controversy in the next few years.

Increased Chinese influence is the price – along with a promised visit to Beijing of Mr John Major, the British prime minister – that Hong [redacted] and the UK have had to pay to win China's support for a project which in [redacted] past 18 months [redacted] acquired heavy political and commercial significance.

Announcement that the airport would go ahead had been eagerly awaited by construction companies worldwide; it is set to be one of the largest sin[redacted] infrastructure schemes anywhere in the [redacted] few years. But the scheme has also become both a symbol of Hong Kong's future potential [redacted] business centre, and a symptom of the problems the territory faces as [redacted] tries to follow its [redacted] path al[redacted]ide China's communist regime.

China promised in 1984 that Hong Kong would have [redacted] "high degree [redacted] autonomy" for [redacted]. The airport [redacted] *has proved that* [redacted] could be a hollow pledge: China [redacted] shown that [redacted] will make its power felt even before 1997 whenever it feels [redacted] inheritance [redacted] somehow [redacted].

Without [redacted] the airport project could [redacted] go ahead [redacted] international financial institutions would either [redacted] to become involved or add an uneconomically high margin for political risk into their [redacted] for [redacted] and franchises.

Protracted further delay would [redacted] knocked confidence in Hong Kong, especially abroad. The US business community in particular has started [redacted] become impatient in recent months.

Hong Kong started thinking [redacted] a new airport in [redacted] because the existing facility at Kai Tak was becoming con[redacted]. [redacted] congestion is now approaching saturation point and [redacted] airport is urgently needed to boost tourism and business [redacted].

What turned [redacted] airport plan into [redacted] source of [redacted] was China's [redacted] Square crisis of June 1989, which brought [redacted] thousands of people on to Hong Kong's streets in support of the dissident students. That *changed* [redacted]*ong Kong, in the* eyes of Peking's hardline leaders, from being an economic asset into a potential centre of political subversion.

[redacted] point: congested [redacted] Tak airport [redacted] threatened Hong Kong's business expansion

Glyn [redacted]

It [redacted] forced [redacted] British [redacted] governments to [redacted] a more confrontational approach [redacted] mainland. They [redacted] a morale-boosting package of measures that included the airport as part of a HK$127bn development scheme along with allocations of British passports [redacted] *Hong Kong citizens, and a Bill* of Rights for the colony.

The passports plan and the Bill were attacked by China's leaders. They also turned suspicious eyes on the airport, questioning its size and cost. Then they heard that British companies were lining up for big contracts and became suspicious that the plan was an elaborate scheme with the intention of allowing the UK to cream off Hong Kong's riches.

It was at this point that the crisis began to develop. Led by senior civil servants who saw no need to co-operate with China until just before 1997, the Hong Kong government resisted requests for full consultation right through last [redacted]. They only [redacted] to back down when they [redacted] *international investors* [redacted] had been frightened [redacted] and would [redacted] return without [redacted] from China.

But by [redacted] China [redacted] warmed [redacted] battle. [redacted] appeared determined [redacted] humiliate [redacted] Kong's government, which [redacted] regarded as [redacted] unfriendly.

At [redacted] it [redacted] on Hong Kong producing [redacted] down options for [redacted] airport [redacted]. It also criticised the drain [redacted] project [redacted] *impose* [redacted] *Hong Kong's* [redacted] – now standing at around HK$73bn – which [redacted] will inherit in 1997.

[redacted] this year, after long negotiations, [redacted] Hong Kong government gave a guarantee that [redacted] basic fiscal reserves would not [redacted] depleted [redacted] HK$25bn in [redacted] and [redacted] outstanding government [redacted] that [redacted] would not exceed [redacted]. At the [redacted] time, [redacted] also [redacted] a seat on the board of an airport authority which is to be set up soon, plus [redacted]ship [redacted] a couple of years' [redacted].

However this was not enough for Beijing. No sooner had [redacted] been granted than China added a demand [redacted] virtual [redacted] power [redacted] other Hong Kong [redacted] period immediately before [redacted] after 1997 – such as [redacted] covering private [redacted] like telecommunications and the container port. It also [redacted] airport agreement only to agree broad parameters, leaving [redacted] plans and [redacted] for future negotiation. [redacted] Kong rejected both [redacted] points.

The [redacted] was apparently [redacted] only when Sir Percy Cradock, Mr John Major's *foreign* [redacted] adviser, [redacted] last week. He persuaded China to drop [redacted] demand for open-ended negotiations. The agreement [redacted] yesterday [redacted] work [redacted] core projects for completion by [redacted] 1997 that [redacted] go ahead without Chinese say-so.

The agreement [redacted] only [redacted] to [redacted] airport and it is not [redacted] clear how rapidly it will be [redacted] in other areas. Sir [redacted] Wilson, the [redacted] acknowledged yesterday [redacted] it could help to smooth the path for more general co-operation between Hong Kong and Beijing. "This is a [redacted] co-operation which could [redacted] to other things," he said.

But the feeling of aggressive independence runs deep among some senior officials in the high [redacted] of the Hong Kong government, and they are unlikely to soften their stance willingly.

They will probably accept that China will inevitably have *de facto* veto [redacted] over franchises extending beyond 1997 *because companies would* not bid for [redacted] business without China's approval.

But there [redacted] clearly large [redacted] for frustration: interference by China's slow-moving bureaucracy could delay corpo[redacted] and [redacted] decisions. If that does occur, it will run counter [redacted] capitalist Hong Kong's traditions.

Moreover, hardline civil servants are likely [redacted] allowing China into other areas such as [redacted] policy (unless there were post-1997 expenditure implications), the appointment [redacted] top civil [redacted] most new legislation.

[redacted] a stance could spell [redacted] Kong: Beijing's politicians, who [redacted] *the colony now just as much* [redacted] they did before Sir Percy's visit, [redacted] rapidly tempted [redacted] the colonial govern[redacted] temper [redacted] other potentially disruptive [redacted].

Nevertheless, Hong Kong [redacted] a significant tactical victory. [redacted] by [redacted] UK, [redacted] managed eventually [redacted] per[redacted] that [redacted] prepared to cancel, or at least postpone, the airport if [redacted] "price in terms of political [redacted]trol" (as Mr Douglas Hurd, [redacted] Foreign Secretary, put it) [redacted] great.

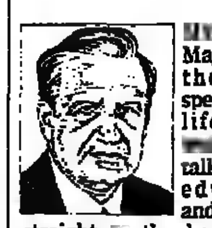
It has had to give way [redacted] China's right [redacted] interfere, but [redacted] right [redacted] go ahead unilaterally with [redacted] of [redacted] airport [redacted] anything [redacted] cannot [redacted] – if it [redacted]. That [redacted] the way for China [redacted] down the airport and [redacted] projects when it wishes, but Hong Kong's government has accepted that [redacted] price [redacted] worth [redacted] return [redacted] airport go-ahead.

To [redacted] the [redacted] in [redacted] hands of the Hong Kong administration. Instead of challenging China, there is now a growing feeling in the colony that Hong Kong [redacted] to learn [redacted] co-operate while [redacted] the same [redacted] pursuing [redacted] own [redacted]. It could perhaps [redacted] a lot from Chi[redacted] successful southern [redacted]ince of Guangdong, which daily becomes more capitalist, despite Beijing's disapproval.

If the government does not seek more co-operation, it [redacted] still quite likely to find [redacted] subject to constant harassment from Beijing – and ultimately unable to govern.

Joe Rogaly

Major hits the mark



[redacted] John Major made the best speech of his life this [redacted]. He was talking about education, and [redacted] went straight [redacted] the heart [redacted] the matter. "The origins of our nation's insufficient regard for education," [redacted] said, "[redacted] deep in our culture."

Then he really hit the spot, reminding his audience that "only in Britain could it have [redacted] thought [redacted] clever by half' – the epithet applied, [redacted] famously, [redacted] the late Iain Macleod". This [redacted] a complete [redacted] still-extant Conservative [redacted]dition [redacted] mulish suspicion of anyone with an agile [redacted] trained mind. After all, it was the 5th Marquess of Salisbury, who flung [redacted] deadly insult [redacted] Mr Macleod.

Mr Maj[redacted] departed from [redacted] prepared [redacted] to add: "The probability [redacted] that [redacted] many people are [redacted] stupid by three-quarters." [redacted] that [redacted]. Like many [redacted] not born [redacted] England, I have [redacted] why the English tribe is so doggedly unlearned, [redacted] self-destructively [redacted]. The prime minister, quintessentially English, pointed [redacted] people [redacted] this island have long [redacted] "suspicious [redacted] brainpower. It [redacted] squirearchy uncomfortable". [redacted] might have [redacted] but did not, that his back benches [redacted] universally composed [redacted] potential [redacted] Britain or [redacted] Mastermind.)

More to the point, "we have inherited an almost equal disdain for vocational training, a superior attitude to industry, *and a mild contempt* for the practical man and woman". Is this [redacted] signal [redacted] an intention to separate our schools, as [redacted] Germans, into technical and academic [redacted] I hope so.

Mr Major, who was addressing a gathering called by the right-wing Centre for Policy Studies, also blamed our cultural deficiencies on what he called the "mania for equality" on the left. Yes, but, as we shall see, it is not only the left that must take the blame, although it is at its worst where its call is for "equality not of opportunity, but of outcome". This has led to the abandonment [redacted] proven teaching methods, and [redacted] debasement of standards. His *lecture*, which benefited from [redacted] delivery not always evident in his big set-piece party speeches, echoes the celebrated address by [redacted] last Labour prime minister, [redacted] then Mr James Callaghan, at Ruskin College [redacted] October 18 1976.

Lord Callaghan, [redacted] he now is, referred to the "[redacted] felt by parents and others about the new informal methods of teaching which [redacted] produce [redacted] they are in well-qualified hands but are much more dubious when they [redacted] not". Translation: young people [redacted] being [redacted] the victims of one of the most foolish fads in [redacted] history [redacted] education – [redacted] notion that child-centred, know-nothing, imagine-everything, eggbox-painting, [redacted]wasting, drivel-driven teaching could [redacted] any [redacted].

The [redacted] taken up by all parties; [redacted]

I have often wondered why the English tribe is so doggedly unlearned

[redacted] Lord Boyle, [redacted] embraced falsely egalitarian [redacted] with enthusiasm. No [redacted]quent [redacted] has been [redacted] break [redacted] curse – not Mrs Shirley Williams, the last Labour incumbent [redacted] Department of Education, nor Mr Mark Carlisle, [redacted] Mrs [redacted]retaries, [redacted] Joseph, with whom [redacted] founded the [redacted] for Policy Studies, [redacted] second. Mr Kenneth Baker's [redacted] Bill provided [redacted] a national curriculum, [redacted] against progressive education, but [redacted] civil ser[redacted] and [redacted] swarm [redacted] woolly-headed educationalists have come up with impossibly complicated curricula and [redacted] "assessments", which [redacted] can fail, rather than proper tests.

The hope must be that Mr Major's [redacted] marks as [redacted] break with [redacted] tradition [redacted] as it does with that [redacted] Salisbury. [redacted] the [redacted] implications of burying Boyle, the prime minister insisted that "it is deprived children in the bad schools in the worst boroughs whom I most want the government's reforms to help". There is a flaw here. The theory is tha[redacted] parent power exercised through opted-out [redacted] and [redacted] technical colleges will result in raising standards. It will for middle-class [redacted]. It is yet to be proven that the parents [redacted] deprived children [redacted] the skills necessary to manipulate school governors.

As to the tradition of Salisbury, the prime minister quotes Aristotle – "[redacted] life according [redacted] reason [redacted] pleasantest, [redacted] more than anything [redacted] man". He [redacted] talks about [redacted] back [redacted]. Lord Callaghan referred [redacted] "the strong [redacted] for the so-called '[redacted] curriculum' of basic knowledge". Mr Major, the potential power of the national curriculum [redacted] disposal, can act where Lord Callaghan could only initiate debate. Hence his insistence on the three Rs, correct spelling, a fair degree of numeracy, short, standardised, written tests, less skiving off to teacher-manipulated "coursework" and more rigorous GCSE examinations. He also acknowledges [redacted] better-paid, highly-motivated [redacted]ing profession [redacted] an [redacted] element of [redacted] to [redacted] standards in [redacted]. We must expect more money for education in this year's public spending round.

I have not dwelt on the headline topic of city technology colleges because that is a peripheral issue set against the immense task of changing England's anti-education culture. It is the kind of [redacted] that takes a quarter of a century. Let us say that work began with Lord Callaghan's speech, that Mr Baker's bill was the half-way mark, and that Mr Major's lecture provides an agenda for completing the job. The present education secretary, Mr Kenneth Clarke, knows what has to be done; he is more likely than most to outwit the educational establishment. Given a fair wind and no little diversions like a change of government we could begin to see some fruits of all this effort at about, say, the turn of the century.

LETTERS

Independence in N Sea safety

From Mr A C Barrell.

Sir, You report ("Monitoring of N Sea safety criticised", July 4) that Roger Lyons, general secretary of MSF, has levelled criticisms at the Health and Safety Executive's ability and independence in its offshore safety regulatory role.

The responsibility for offshore health and safety was transferred from the Department of Energy to HSE last April as recommended by Lord Cullen in his report on the Piper Alpha disaster. *The need* to establish complete independence of the regulatory authority was one of the prime reasons. On Wednesday I assured the House of Commons Select Committee on Energy that I intend to see that my division's impartiality is upheld whatever pressures may be applied from other interested parties.

Both companies and unions involved in the offshore industry have a valuable role to play in the forthcoming revision of offshore safety legislation. I intend [redacted] uphold the recommendations [redacted] Cullen report regard[redacted] HSE's complete independence in d[redacted]y-to-day [redacted] safety. Any staff seconded to OSD [redacted] their technical skill will be required to [redacted] the [redacted] standards. We [redacted] launched a campaign [redacted] recruit more inspectors [redacted] fulfil this function.

A C Barrell,
chief executive,
North Sea Safety,
Health and Safety Executive,
1 Chepstow Place, London W2

Fax service

LETTERS may be faxed on 071-873 5938. *They should be clearly typed and not hand-written.* Please set fax machine for fine resolution.

More localised nature of training not creating [redacted] problem for big companies

From Mr Robert Jackson MP.

Sir, The article by John Gapper and Lisa Wood on large companies and Training and Enterprise Councils ("Training flagship sails into stormy waters", July 3) gives a less than full account of the current situation. Let me redress the balance.

There is a strong consensus that the local character of the Tecs is one of their great *strengths. We need to improve* training efforts at the local level to get the high-skill, high-productivity economy we need.

On the other hand, there are many training providers, including large companies, which operate on [redacted] national basis. As your story reports, it is not always easy for them to adjust to the localised arrangements of the Tecs.

It [redacted] we recognise this problem that my department runs a central Tecs and [redacted] Providers Unit (TNPU) to provide a brokerage and administrative service to facilitate contracting between the two parties. The TNPU provides a common core contract and central payment systems which greatly ease the administration for Tecs and National Providers alike.

To balance your report, it is worth recording that this ser[redacted] been well received, and [redacted] national providers are taking [redacted] in Youth Training and Employment Training through this route. These national providers include many large companies such as Marks and Spencer, TSB and British Gas. As your story reports, a handful of companies has withdrawn – but [redacted] every [redacted] that they will [redacted] provide training [redacted] young people [redacted] Youth Training.

Andrew Howell (Letters, July 3) [redacted] this issue, suggesting that [redacted] were operating in a vacuum, with no national framework for training. This is not the case. The government sets a very clear national framework for training in the secretary [redacted] for employment's annual [redacted] guidance on training and enterprise. The current guidance, [redacted] – The Skills Decade", has been widely welcomed by those working in training, education and enterprise.

To pick one example, a key aspect of the framework is the development of a national system [redacted] vocational qualifications. National [redacted] Qualifications [redacted] on standards [redacted] competence and Tecs are *only funded* under youth training for training to these standards.

Robert Jackson,
parliamentary under-secretary of state,
Department of Employment,
Caxton Street, SW1

Welsh Water reasserts strength of its expenditure on services and environmental programme

From Mr David [redacted]

Sir, The Lex column (June 29) [redacted] misleading in suggesting [redacted] fell behind on capital spending compared with [redacted] industry average last year. Our core business, Dŵr Cymru Welsh Water, achieved a 55 per cent increase in capital expenditure (to £160.2m) during the year ended March 31 1991. This [redacted] confirmed by the 1990-91 annual return to the director-general [redacted] water services, which [redacted] certified by independent engineers working under instructions from the director-general.

As [redacted] result of this expenditure, improvements have been completed on 25 water [redacted] works and 85 sewage treatment works. Some 350,000 metres of water mains and 170,000 metres of sewers have been replaced and refurbished, and targets met for improvements to levels of service.

Welsh Water's capital expenditure programme to improve the quality of service to customers and to clean up the environment is not only on target, but well ahead [redacted] schedule.

In addition, [redacted] core business is investing an additional £45m [redacted] sewage treatment improvements in the Menai [redacted], Milford Haven and Cardigan Bay; to accelerate drinking water quality improvements; and to launch an initiative to help householders remove lead piping from their properties.

David Jeffrey,
[redacted] *director,*
Welsh Water,
Plas-y-Ffynnon,
[redacted] *Powys LD3 7HP*

Ballot on the abilities of the high-earning executives

From Mr Peter Knapton.

Sir, Your article "Sticky Question [redacted] Fingers in the Honey Pot" (June 29) raises [redacted] basic question. Some chief executives are real leaders and initiators and/or bring in business. Others just chair committees. Companies can run adequately with the latter – but there is no need to pay them huge salaries, others could do the job for less.

To ensure appropriate salaries are paid, I suggest the following: every director earning more than £150,000 should be subjected every two years to secret ballot by senior executives, who would vote on his or her worth. If the vote is negative, re-selection should follow, with internal and external candidates also invited. My guess is quite a few chief executives would volunteer for pay cuts.

Peter Knapton,
25 Finsbury Circus, EC2

'Typically patronising attitude' to women comes under attack

From [redacted] *Kay Coleman.*

Sir, The [redacted] made by Observer (July [redacted]) regarding the breakfast given by Gillian Shephard [redacted] the Treasury for [redacted] female high-flyers are typically patronising.

The three guests are highly intelligent business *people* at the top of their chosen field.

If three men had been invited for discussions on the economy, etc, then I suppose Observer would consider that [redacted] a sensible innovation (only if chaired by [redacted] man, [redacted] course!).

During the [redacted] years [redacted] per [redacted] Britain's workforce will be female and that, Observer, is not [redacted] vote-catching publicity stunt.

Kay Coleman,
chief [redacted]
Harveys & Co (Clothing),
Kings Mill,
Fairbottom Street,
Oldham, Lancashire

FINANCIAL TIMES
Friday July 5 1991

Move increases pressure on telecoms industry over allegations of worldwide cartel

EC to investigate telephone charges

By Andrew Hill in Brussels

A FULL-SCALE formal investigation into international telephone charges has been launched by the European Commission, increasing pressure on the industry over allegations of a worldwide telephone cartel.

Commission officials said yesterday that letters requesting further information on "prices, costs and international pricing arrangements" had been sent to the European Community's 15 telecommunications groups.

The postal and telecommunications administrations (PTTs) could be fined up to 10 per cent of their turnover by the Commission if it uncovers evidence of anti-competitive behaviour. Officials said they hoped to have formed some preliminary views by the end of the year.

The Commission began an informal investigation into international telephone charges in May 1990, focusing on agreements between the 160 members of the International Consultative Committee for Telephone and Telegraph administrations (CCITT). The CCITT is set to meet in Geneva in September to discuss possible reforms to the system.

Sir Leon Brittan, the competition commissioner, said yesterday that the Commission was determined to ensure that consumers and business-users benefited from "maximum price transparency and full compliance with the competition rules". The formal investigation will look both at international charges to users – collection charges – and at "accounting rates", which are set bilaterally between PTTs.

The accounting rate system is designed to compensate a company for the cost of handling an international call made elsewhere. But according to the Commission, US telecoms groups complained during the informal inquiry that the rates were unfairly high and the system was benefiting Community operators, which handle more incoming than outgoing international calls.

US companies alleged the need to compensate EC operators at an artificially high rate was pushing up the cost of making transatlantic calls to Europe.

Battle rages: Lebanese [illegible] kick down a door yesterday in search of Palestinian guerrillas around Mieh Mieh in southern Lebanon. [illegible] battles have left at least 65 dead and 104 wounded. The Lebanese government last night [illegible] a peace agreement with the Palestinian Liberation Organisation. Page 4

Italian press report sparked EC steel probe

By David Buchan in Brussels

THE European Commission's latest probe of a possible large-scale steel cartel was triggered by Italian press reports that makers of hot-rolled coil had jointly agreed to cut output in a bid to stem the falling price of this key steel product.

Last week's raids by EC competition investigators on Eurofer, the Brussels-based club of EC steel producers, and on certain of its Italian, German and Spanish members, have been met with disbelief in the industry, which says that price developments disprove any cartel.

The export price of hot-rolled coil, used in a wide range of flat steel products, has fallen over the past two years from $450 to $350 a tonne, pulling the internal EC price down with it. But a Commission official retorted yesterday: "An industry's first line of defence is to deny a cartel, while its second line of defence is to argue that it didn't work".

But, in contrast to their other recent probes of steel cartels, EC officials said yesterday that it was not the movement in prices nor any complaint from users of hot-rolled coil which first aroused the suspicions of the EC's "trust-busters", but an article in the Italian financial daily, Il Sole 24 Ore, on January 30.

Ever-closer scrutiny of press reports appears to underscore the fact that Sir Leon Brittan, the EC competition commissioner, intends to leave no allegation unchecked in his bid to treat the steel sector now like any other.

In 1977-78, the Commission had sanctioned an official cartel in steel, by allowing Eurofer to fix production shares and prices among its members.

Mr Gianni Dragoni, a Rome-based journalist for Il Sole 24 Ore, yesterday confirmed that he and a colleague had reported allegations that the big EC producers of hot-rolled coil had reached an informal agreement to cut output by 10 per cent this year, to try to stem the fall in prices.

Usinor-Sacilor of France, the EC's biggest producer of hot-rolled coil, said yesterday it had not yet received a visit from EC investigators. It dismissed the idea of any co-ordinated cutback.

EC 'should expand trade with E Europe'

By Peter Norman, Economics Correspondent, in London

THE European Community should hold out the prospect of EC membership to the countries of eastern Europe and take steps now to expand trade with them, Mr Norman Lamont, the UK chancellor of the exchequer, said yesterday.

He told the free-market Institute of Economic Affairs the EC had a "political and moral obligation" to take seriously eastern Europe's aspirations to membership.

Although their accession was "some years off", it would be a mistake not to take account of the issue in the current negotiations on economic and political union. "In order to sustain the political and economic will to reform now, we must hold out the prospect of membership later. The whole Community must say: 'We would like you to join just as soon as you are able to meet the political and economic conditions of membership'."

In the meantime, he said, the Community must dismantle its trade barriers to the east. "We have preached the virtues of market economies and free trade to east Europeans for 40 years. Now we have the chance to put these sentiments in practice. It would be hypocrisy to refuse to do so."

Specifically, Mr Lamont said the EC should aim for free trade with Poland, Hungary and Czechoslovakia "wherever possible within a decade".

He noted that the EC was proposing to phase out tariffs on industrial goods, textiles and coal. But quotas constituted the real barriers to trade in coal and textiles. Britain wanted more in early tariff cuts and quota increases.

Mr Lamont said agriculture, which accounted for 35 per cent of exports, employment and gross domestic product in Poland and 30 per cent in Hungary, was the most important single sector requiring action.

"We must not allow the rigidities of the CAP [Common Agricultural Policy] to stand in the way of access to EC agriculture markets," he said. "What could be more absurd than the EC providing credits to the USSR to buy food from EC stockpiles – driving the east Europeans out of their traditional markets – at the same time as the Community gives them balance of payments support?" Mr Lamont underlined that the future economic welfare of east European countries would depend on their own efforts. Already "impressive strides" had been made towards macroeconomic stability.

But they needed also to:

- Restructure their economies through privatising state concerns and introducing competition.
- Reform legal and property rights, taxes, financial institutions, foreign investment rules and accounting practices.
- Avoid pitfalls such as the creation of bureaucratic muddle between central authorities and regions and prolonged reliance on foreign borrowing to [illegible] shortfalls in payments.

US Court nominee faces tough fight

By Peter Riddell, US Editor, in Washington

JUDGE Clarence Thomas's nomination to the US Supreme Court faces growing opposition from a variety of liberal groups because of his conservative views on issues such as abortion, right to privacy and affirmative action.

Since President George Bush named Judge Thomas, on Monday, the press and critics have been delving into the extensive record of his opinions. In contrast, Justice David Souter had virtually no "paper trail" when his nomination was scrutinised last year.

It is too early to say how tough a battle Judge Thomas, currently a Federal Appeals Court judge, faces when his nomination is considered by the Senate judiciary committee in September. But feminist and civil rights groups are concerned about his apparent opposition to abortion.

The Supreme Court has a wide-ranging influence over US life and business and has frequently been responsible for important changes in direction on issues such as school desegregation and abortion.

There is al[illegible] a clear conservative majority on the nine-strong court – often of six to three – so the nomination will reinforce the existing trend and ensure it continues, since Judge Thomas is only 43.

A complicating factor in the debate is that Judge Thomas is black, replacing the black liberal Justice Thurgood Marshall. Black and civil rights groups are uncertain about what attitude to take to someone whose strongly conservative opinions they oppose.

A further twist has come from Governor Douglas Wilder of Virginia, who is also black but who supports the right to an abortion. He has argued that Judge Thomas should be questioned more vigorously because he is Catholic.

The White House and Republicans believe that one of Judge Thomas's assets is that he overcame a background of poverty and discrimination in Georgia.

An ABC News poll shows majority support for the nomination and for the judge's known views.

Lobbyists for the elderly and retired have also raised questions over Judge Thomas's record on discrimination claims by older workers when he was chairman of the Equal Employment Opportunity Commission during the 1980s.

Fresh fears on Pakistani nuclear ambitions

By Jimmy Burns in London and Karen Fossli in Oslo

BRITISH customs have launched an investigation into the possible illegal export of sensitive computer material with nuclear application to Pakistan.

The investigation, described as "highly sensitive" by a UK customs official, is in response to moves by the Norwegian authorities. It emerged yesterday that police in Norway are holding two unnamed men on charges of illegally exporting sensitive computer equipment and falsifying export documents.

One of the men is employed by Norsk Data, the troubled Norwegian mini-computer group, but Norwegian police stressed that the company itself was not involved in the case.

News of the operation is likely to provoke fresh international concern over the nuclear ambitions of Pakistan, one of the few key countries not to have signed the nuclear non-proliferation treaty (NPT).

The US suspended military and economic aid last October on suspicion that Islamabad was producing nuclear-grade material at secret installations. The move was based on intelligence that at a plant in Kahuta, 25 miles from Islamabad, Pakistan was in the process of enriching uranium to the quality required for nuclear weapons.

UK customs would not confirm a report that a shipment of the computers was stopped at the weekend. Mr Peter Watson, a director for Norsk Data in the UK, said last night that no equipment that had originated in Britain had been intercepted by customs.

The minicomputers thought to have been sold through third parties to Pakistan are standard and sold widely in Europe. But they could have contained sensitive software.

Norsk Data counts among its clients a number of high technology research organisations in the nuclear industry.

It is thought that that the two arrested men may have previously sold up to six Norsk Data NOR 5400 ND computers to Pakistan and to a London-based company whose name has not been disclosed.

In the 1980s Norway was been embroiled in a number of cases in which exports were in violation of the NPT or of Cocom regulations governing shipments to the East bloc.

In 1987 Kongsberg Vaapenfabrikk, the now dismantled state arms maker collaborated with Japan's Toshiba to sell advanced electronic equipment to Leningrad shipyards enabling them to produce silent submarine propellers which cannot be detected by Western radar.

Norway has since tightened penalties for illegal exports and the maximum fine is now a five year jail sentence and/or fines.

In another case Norway was forced to ban the sale of heavy water, which can be used to produce nuclear weapons, after a 1988 criminal investigation revealed the disappearance of 15 tonnes of the substance.

It was alleged that the heavy water made its way to Bombay rather than its intended destination of Frankfurt, and that this shipment may have enabled India to develop nuclear capability in violation of the NPT, which prohibits signatories from providing heavy water except under international inspection. Another probe involved the shipment of 20m tonnes of heavy water to Israel's top-secret Dimona reactor.

THE LEX COLUMN

Bad reception for mobile phones

Consider the following two companies. The first increased its earnings in the six months to March by 31 per cent and its dividend by 57 per cent. Its weaker competitor yesterday produced a 45 per cent fall in earnings for the same period and held its dividend. The shares of the first sell on 21 times earnings and a 2 per cent yield; those of the second, on 27.5 times earnings and a yield of 0.6 per cent.

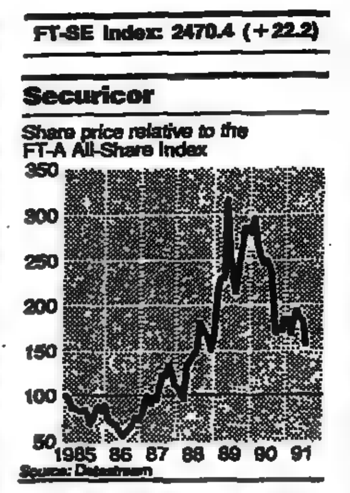
The market in question being UK mobile phones, a degree of confusion is understandable. Despite the hugely rapid growth of the recent past, the market is by no means recession-proof: in April, the total number of customers actually fell. Nor is it clear that growth will resume at the old rate when the economy recovers. It is an open question whether the rating for Racal Telecom, the first and stronger of the two, is justified. It seems rather clearer that the second, Securicor – which derives the bulk of its earnings from its 40 per cent holding in the competing Cellnet system – is rated too high.

The whole saga is a lesson to the market on the dangers of misapplied long termism. From a standing start in 1988, Cellnet's profits doubled every six months until the second half of last year, when they suddenly levelled out. In this year's first half, they dropped by nearly 40 per cent. Two years ago Securicor's market value was £750m. After the 12 per cent fall in the shares yesterday it was £350m.

Even if the mobile phones market were to regain its old sparkle, Cellnet is still lagging Racal in its development, despite last year's heroic £200m-plus of capital expenditure. There is also the risk that resumed market growth would draw in new forms of competition. The remaining fans of Securicor argue that BT, Securicor's senior partner in Cellnet, will buy it out on lucrative terms. On yesterday's evidence, BT can bide its time.

FT-SE Index: 2470.4 (+22.2)

Securicor



Source: Datastream

Irish Life

There may or may not be questions in the Irish parliament. Whichever way you look at it, Ireland's biggest privatisation looks generously priced. At 6.4 per cent the prospective yield on Irish Life is almost double the Dublin average, and higher than equivalent UK life businesses like Lloyds Abbey Life and the Pru. Based on the company's own doubtless conservative calculations of embedded value – and throwing in a little something for the appraisal value of new business – it is possible to see the shares trading at IR185p, against the IR150p at which they were yesterday offered.

To be fair, Irish Life was always going to be a tough one to get away. It is a curious mixture of unit-linked life company and geared investment trust, though the investment trust image will fade as fixed benefit liabilities are more fully matched with fixed interest and similar investments in future. There was also the need with an issue of this size to look outside Ireland's relatively tiny capital markets, a challenge complicated by UK institutions' aversion to the currency risk, disillusionment with the life sector at large, and continental investors' lack of familiarity with the EC's most westerly state.

That said, the Irish life market is not as competitive as the UK's, the population is strikingly young and Irish Life appears to have reversed its declining market shares by belatedly cashing in on the demand for endowment mortgage loans. The main longer-term worry is whether the company has the same capacity as its UK cousins to fritter away money in overseas diversification. But for the moment, at any rate, the lure of the single market is wisely being kept in perspective.

Hong Kong

In theory the UK deal with China over the new Hong Kong airport should clear the way for a sparkling rally on the local stock market, especially since May's one point increase in interest rates has now also been reversed. With the growing probability that the US Congress will agree to an extension of most-favoured-nation trade privileges for China, the three main worries which have beset the market have all but evaporated.

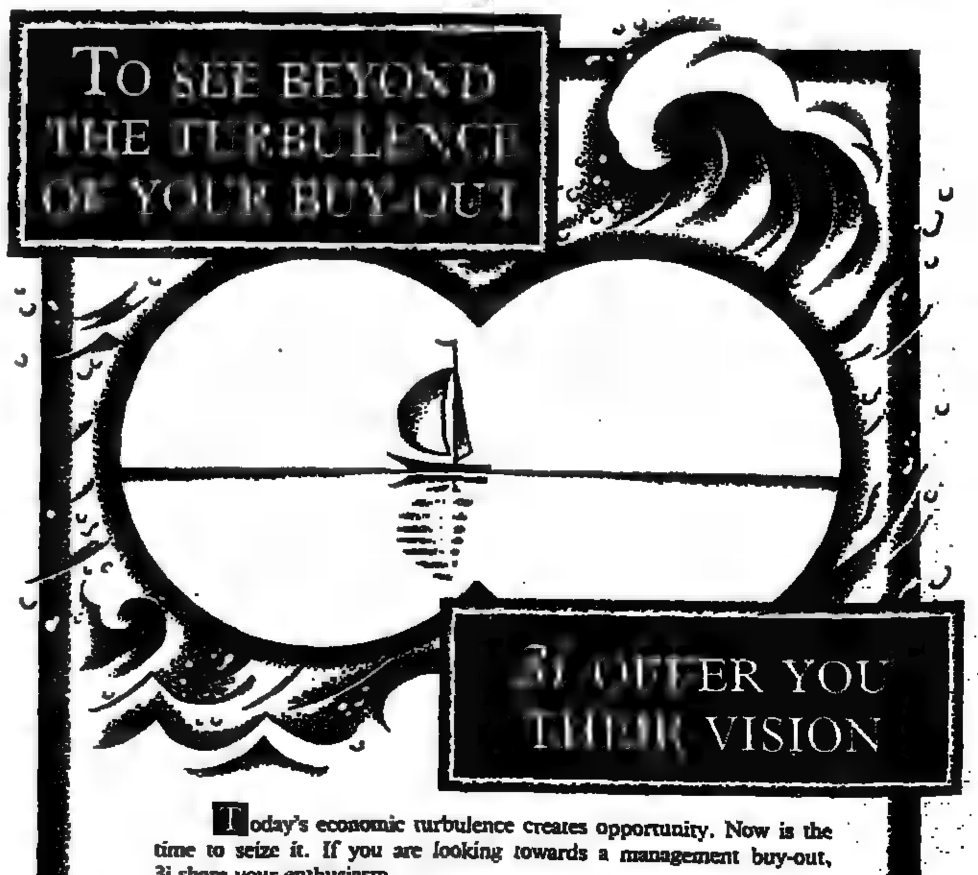
However, yesterday's modest 1.4 per cent gain in the Hang Seng index suggests investors are not that easily satisfied. Hong Kong is inevitably touched by international nervousness as the Nikkei index pushes down towards the 23,000 level. The commercial property market is increasingly oversupplied and, though the airport project should boost local economic growth, the details of the Beijing agreement suggest it will face tight financial constraints. Besides, the buoyancy of the futures market in recent days suggests the deal was discounted. At yesterday's close of 3,850.71 the Hang Seng is only 66 points short of its May peak, just before airport panic hit the market. It may have trouble going decisively higher for a while yet.

Lucas

Sadly, Lucas has not been able to compensate for the steep downturn in the UK automotive sector with increased earnings elsewhere. Its aerospace division has been held back by a weak spares market following the Gulf war, while earnings from industrial products have been hit by the US recession. The result is that this year's pre-tax profits look like falling to half last year's £191m.

Since most of the drop will come from the home market, where the company is now unlikely to make much money at all, it will have to write off ACT and faces an increased tax charge. Even so, net earnings should be sufficient to cover a maintained dividend, though this will mean a break with the traditional cover of around 2.75 times. Yesterday's statement hints that the board will go this route, if only as a [illegible]ment of faith in the [illegible]

Despite the catastrophic fall in first half new UK car registrations, Lucas's problem has been as much one of margins as volume. These should recover as payroll costs are cut by redundancies, and presumably pre-tax profits will not be hit by another large exceptional charge for rationalisation next year. But car manufacturers, who are sitting on surplus stock, can also be expected to try and pass their own price reductions on to suppliers. Lucas's recovery is likely to be slow at best. Yesterday's 8p fall to 128p still leaves the shares looking dear.



WORLDWIDE WEATHER

City		°C	°F
Ajaccio	[illegible]	[illegible]	77
Algiers	[illegible]	[illegible]	90
Amsterdam	[illegible]	[illegible]	75
Athens	[illegible]	[illegible]	79
Bahrain	[illegible]	[illegible]	90
Bangkok	[illegible]	[illegible]	86
Barcelona	[illegible]	[illegible]	75
Beirut		–	–
Belfast	[illegible]	[illegible]	66
Belgrade	[illegible]	[illegible]	75
Berlin	[illegible]	[illegible]	75
Biarritz	S	[illegible]	81
Bombay	R	[illegible]	79
Bordeaux	[illegible]	[illegible]	82
Boulogne	F	[illegible]	75
Brussels	S	[illegible]	79
Budapest	C	[illegible]	77
Buenos Aires	F	[illegible]	[illegible]
Cairo	S	[illegible]	[illegible]
Cape Town	C	[illegible]	[illegible]
Caracas	[illegible]	[illegible]	[illegible]
Casablanca	[illegible]	[illegible]	[illegible]
Chicago	[illegible]	[illegible]	[illegible]
Cologne	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Corfu	[illegible]	[illegible]	[illegible]
Dallas	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]
Dubrovnik	S	[illegible]	[illegible]
Edinburgh	F	[illegible]	[illegible]
Faro	[illegible]	[illegible]	70
Florence	[illegible]	[illegible]	90
Frankfurt	[illegible]	[illegible]	82
Geneva	[illegible]	[illegible]	77
Gibraltar	[illegible]	[illegible]	77
Glasgow	[illegible]	[illegible]	[illegible]
Helsinki	[illegible]	[illegible]	73
Hong Kong	[illegible]	[illegible]	84
Innsbruck	F	[illegible]	79
Inverness	C	[illegible]	[illegible]
Islamabad	F	41	106
Istanbul	S	25	77
Jakarta	F	33	91
Jersey	C	22	72
Johannesburg	S	16	61
Lima	C	[illegible]	65
Lisbon	F	[illegible]	[illegible]
London	S	26	79
Los Angeles	C	16	61
Luxembourg	F	[illegible]	[illegible]
Madeira	C	[illegible]	72
Madrid	F	[illegible]	79
Majorca	S	[illegible]	90
Malaga	S	[illegible]	77
Malta	S	[illegible]	91
Manchester	S	[illegible]	73
Manila	F	[illegible]	90
Melbourne	C	[illegible]	57
Mexico City		–	–
Miami	F	[illegible]	79
Milan	S	[illegible]	[illegible]
Montreal	C	[illegible]	[illegible]
Moscow	F	[illegible]	[illegible]
Munich	F	[illegible]	[illegible]
Nairobi	[illegible]	[illegible]	[illegible]
Naples	S	[illegible]	[illegible]
Nassau	F	[illegible]	[illegible]
New Delhi	C	[illegible]	[illegible]
New York	S	[illegible]	[illegible]
Nice	S	[illegible]	[illegible]
Nicosia	[illegible]	[illegible]	77
Oporto	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	81
Paris	S	[illegible]	82
Peking	C	[illegible]	[illegible]
Prague	F	[illegible]	[illegible]
Reykjavik	C	[illegible]	[illegible]
Rhodes	S	[illegible]	[illegible]
Rio de Janeiro	C	[illegible]	[illegible]
Rome	S	[illegible]	77
Salzburg	F	[illegible]	[illegible]
San Francisco	S	[illegible]	[illegible]
Seoul	F	[illegible]	[illegible]
Singapore	F	[illegible]	[illegible]
Stockholm	S	[illegible]	[illegible]
Strasbourg	S	[illegible]	[illegible]
Sydney	S	[illegible]	[illegible]
Taipei	F	[illegible]	[illegible]
Tangier	S	22	[illegible]
Tel Aviv	S	26	[illegible]
Tenerife	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Toronto	[illegible]	[illegible]	[illegible]
Tunis	[illegible]	[illegible]	[illegible]
Valencia	[illegible]	[illegible]	[illegible]
Venice	[illegible]	[illegible]	[illegible]
Vienna	C	[illegible]	[illegible]
Warsaw	F	[illegible]	81
Washington	C	[illegible]	73
Zurich	S	[illegible]	77

Temperatures at midday [illegible] F–Fair [illegible] H–Hail R–Rain [illegible] Sl–Sleet Sn–Snow T–Thunder

هكذا وجدت بالأصل

RECRUITMENT

JOBS: No simple way to improve services of organisations insulated from market forces

Why 'citizens' charters' won't work

"AHA – procrastination pays off again!", the Jobs column said to itself while scanning the press headlines the other morning. The particular one that prompted the thought concerned British Prime Minister John Major's plan for a Citizen's Charter to improve the services of public organisations such as British Rail.

Ever since he first mooted it in March I have been meaning to send him a missive stating simply: *Jeremiah 13:23*. I am sure that, like readers, he would have instantly recalled the biblical passage cited. It is the verse in which the Old Testament prophet questions the realism of expecting leopards to change their spots and so forth.

But by putting off sending same, I've avoided fruitless labour. For the headline mentioned appeared above a piece of "speculation" – the governmental term for reports both unauthorised and irrefutable. Its nub was that Mr Major's drive to give citizens rights to acceptable services from market-insulated organisations, has been hobbled. The hobblers were reputedly fellow ministers, who were prompted in turn by civil servants' analyses showing the scheme impractical.

If so, it may be of significance that the civil servants who did the analysing are themselves on the payrolls of organisations insulated from market forces.

Even if that is significant, however, I'm not so cynical as to accept that the self-interest of employees of such bodies forever forfends improvements in their services. And the mainstay of my faith that they can be improved is that – to judge by letters from readers who work for outfits cushioned against competition, yea even unto British Rail – a lot of people within them would dearly like to do better by the poor consuming public.

Bedevilled

The problem, in short, is not a lack of good intentions. It is just that the organisation somehow bedevils them.

Which brings us back to the prophet's warning, because that is all it was. Although Jeremiah was scarcely a cock-eyed optimist, his words were not a ruling that the changing of leopard's spots and whatnot is absolutely impossible; only a caution that it isn't a doddle. Certainly, the trick is unlikely to be done by [illegible] on high that the [illegible] be replaced by pinstripes, and laying down [illegible] accordingly. Whatever changes [illegible] would probably [illegible] intended: [illegible] leopard might well mutate into [illegible] camel.

Anyone who disagrees might care [illegible] consult [illegible]* by Swedish management researcher Nils Brunsson who has [illegible] ways organisational changes, productive and otherwise, occur.

One prime point he makes is [illegible] executives, perhaps influenced by [illegible] school teaching, often suppose that deciding – in the sense of choosing what should be done – is the be all and end all of their job. "However," he adds, "the organisation's main problem is not choosing; it is taking organised action."

Moreover, whether anything useful actually gets done depends less on the cogitations of high command than on the complicated social organism beneath, whose workings are strange indeed. For example, which of the following two organisations, A and B, would readers expect to be the better at transforming itself productively?

A is permissive. Employees are encouraged [illegible] put forward any [illegible] they have [illegible] profita[illegible] changes, and assured they will be considered by their seniors.

B is [illegible] more restrictive. Employees are discouraged from suggesting changes unless they fall within a narrow and precise definition of its business.

After studying both closely, Professor Brunsson found that B achieved the more successful new developments. The explanation, he thinks, lies in the pair's respective organisational "ideologies" – defined as the ideas shared by all employees, so forming a common basis for work-related discussion and action – which are bound up with staff's expectations, individual motivation and, above all, collective commitment.

In his terms, A's ideology is *inconsistent* and *inconclusive*. Since there are no preconceptions about what constitutes a good idea, before any proposal is accepted or dropped it is subjected to detailed, rational analysis of its pros and cons. That process inevitably casts doubt on the success that can be expected from the proposal, so weakening motivation and commitment.

B, pervaded by the belief that it thoroughly knows the complicated ins and outs of its business, has a *consistent* and *conclusive* ideology. Its clear and narrow definition of what is a useful idea reduces the need for doubt-sowing cerebral analysis. The emphasis falls instead on testing if the idea will work in practice and, if the prospects look good, the effect is to generate motivation and commitment.

Complexity

But the professor says that B's ideology is marked by a further trait. It is also *complex*, in that it doesn't simply prescribe that some things are good and others bad by their very nature. Its practical orientation makes it recognise that circumstances alter cases, leaving room for argument as to why a proposed action is or is not worthwhile at any particular time.

That enables information about shifts in customers' wants and other operating conditions to be fed back and, albeit slowly, modify the ideology which in turn shapes the actions undertaken. So companies with "strong" ideologies on the B pattern tend to evolve themselves in line with the world around them – Nils Brunsson's word for them is *changeful*.

Those with vague or "weak" ideologies of the A type have no firm gauges of the appropriateness of their underlying set of ideas to external circumstances. But that does not rule out transformations in their behaviour.

Although not changeful in themselves, they may be change*able* by an outside agency, such as a new management. The key seems to lie, not in their ideology's degree of consistency or conclusiveness, but in the third factor.

As long as the ideology is simple, perhaps holding that the organisation is always right and anyone who suggests otherwise is wrong, the chances are small. But if it can be made complex enough to admit that the real world is far more intricate, change can begin. Unfortunately, such adding of complexity would not be sufficient to enable Prime Minister Major and his like to transform the behaviour of the civil service.

The reason is that in order to be changeable, organisations have to have weak ideologies, whereas those of civil service departments are apt to be strong. Indeed they are typically far more consistent, conclusive and complex than the ideologies of the political groups supposedly in charge who, despite belonging to the same party, tend to share only vague ideas about what specifically should be done.

So according to the professor, the notional model of government – in which the elected political subunit decides the policies and the administrative subunit puts them into force – is distinctly suspect. "It is easier for the administrative subunits to control the politicians than the other way round," he says. "Even if the political unit perceives the need for change, or changes its ideologies, or achieves majority shifts, there is a good chance that this will not result in new organisational actions."

Or, to put it more succinctly: "Yes, Minister".

Michael Dixon

* *The Irrational Organisation.* John Wiley, £17.95.

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ACCOUNTANCY COLUMN

The institute prepares to flex its muscles

By David Waller

THERE was a time when senior figures in the UK's accountancy profession were happy to combine their [illegible] at [illegible] top of the big firms with service to the Institute of Chartered Accountants in England & [illegible] (ICAEW), the largest of the [illegible] six professional accountancy bodies.

Sir Ronald Leach and Lord Benson – former senior partners of Peat Marwick and Coopers & Lybrand respectively and regarded as titans of the profession in the 1960s and 1970s – were glad to crown their careers by taking on the most visible job in accountancy: president of the ICAEW.

In the 1980s, the complexion of the profession changed, as accountancy became [illegible] business like any other. The barons of the big firms took less interest [illegible] institute affairs. They came to view [illegible] 110-year-old institute [illegible] nuisance, rather than as a repository of traditional values.

Later [illegible], the institute is poised to play a much greater role in the lives of the big firms, whether the big firms like it or not. In the autumn, the ICAEW will be taking on powers [illegible] a recognised supervisory body under the Companies Act [illegible].

The government has yet [illegible] take [illegible] formal decision [illegible] grant [illegible] ICAEW status [illegible] a recognised supervisory body, but [illegible] likely [illegible] later this year. Mr John Redwood, minister for corporate affairs, [illegible] that the effectiveness of the new regime will reviewed after a [illegible]

The change [illegible] at a [illegible] time, [illegible] have [illegible] heavily [illegible] for alleged audit [illegible] in the wake of [illegible] large corporate collapses. [illegible] have prompted calls for effective regulation and critics such as Austin Mitchell, Labour MP for Great Grimsby, have pointed out that the big firms are effectively immune from disciplinary action.

For the [illegible] time since the institute was founded in 1881, it will take direct responsibility for regulating auditing, mainstay of accountants' business.

Under schedule 11 of the Act, [illegible] and accountancy firms will have [illegible] be registered if they are to conduct audits.

These measures, however, do not answer Roques' fundamental point: that the institute's regulatory role [illegible] incompatible with its trade association status

The institute will have to satisfy [illegible] that [illegible] firms [illegible] individuals wishing to be registered are "fit and proper". It will have the power to withdraw authorisation and [illegible] quently the power to put [illegible] firm out of business. It will also take responsibility for monitoring the UK's 10,000 audit [illegible].

From its inception in 1880, the institute has had powers to discipline its members, and it took on some regulatory responsibilities [illegible] the Financial Services Act. Its new role under [illegible] Companies Act, however, threatens to transform its relations with its 95,000-plus members and the UK's 10,000 firms of chartered accountants.

The ICAEW's prime function will be [illegible] act as the [illegible] of government in regulating auditors. Until now, its main purpose [illegible] been to represent the interests of its members.

The disciplinary action that the institute took helped to preserve the standing of the profession.

Some senior partners of the large firms – and many smaller practitioners – are questioning whether the roles of regulator and "trade association" are mutually compatible. The fear is that the more effective the ICAEW [illegible] regulating [illegible] members, the less able it will be to represent them, and the less accountants will want to be represented by the body.

The argument runs that, in other professions, the two functions are split; for example, the medical profession has a British Medical Association and [illegible] General Medical Council.

Mr John Roques, senior partner of Touche Ross, [illegible] UK's fifth-largest firm of accountants, is the most vocif[illegible] of [illegible] new arrangements. He has broken ranks with his fellow senior partners and called for an investigation [illegible] whole basis on which audit firms are to be regulated.

Mr Roques, whose relations with [illegible] are severely strained, [illegible] that the institute is an inappropriate body to take on [illegible] new regulatory responsibilities. [illegible] blunt man, he sums up his feelings with [illegible] remark: "The institute is a mess".

[illegible] briefing note circulated by [illegible] firm [illegible] that: "[illegible] [illegible] multiplicity of departments and committees concerned with regulating accountants in practice".

It then lists no fewer than 13 committees, including the Ethics Committee, the Investigation Committee, the Disciplinary Committee, the Practice Regulation Review Committee, and the Professional Standa[illegible]s Committee, not to mention the Joint Disciplinary Scheme and the Audit Regulation Policy Co-Ordination Committee, all of which have some responsibility for regulating accountants.

"It is in the interests of everybody that the structure should be as simple as possible," Touche Ross argues.

The institute will have to satisfy itself that those firms wishing to be registered are "fit and proper". It will have the power to withdraw authorisation

"This would help not only to keep costs to reasonable levels, but to make the arrangements more under[illegible] members [illegible] the ICAEW] and outsiders."

Roques believes that audit regula[illegible] important [illegible] left [illegible]. He would [illegible] outsiders – non-accountants, directors, fund managers and so forth – to be part of the regulatory structure, as they are on the Financial Reporting Council, [illegible] body which took over the supervision [illegible] accounting rules [illegible] summer.

The institute argues that it would be unproductive to revive the debate at this point. The issues were aired in government discussions in 1987 and the institute's right to conduct the regulation was voted through by its membership last summer.

The institute points to [illegible] other measures. It has recently introduced tough new ethical rules for its members; it is reviewing the scope of its powers to discipline firms as well as individual chartered accountants; it has set up an auditing practices board, which deals with technical auditing rules; its disciplinary procedures have been reviewed by a City firm of solicitors; it is reviewing the joint disciplinary scheme, the most powerful disciplinary committee.

These measures, however, do not answer Roques' fundamental point; that the institute's regulatory role is incompatible with its trade association status. Other senior partners also have private doubts.

"The trouble is that when these matters were debated a few years ago, no-one queried the proposition that the institute should be the regulator for the audit activity," says one eminent senior partner. "If one [illegible] starting [illegible] might [illegible] a [illegible]ferent view."

Another [illegible]ior partner [illegible] "I agree that the functions don't meld together. [illegible] the Police Com[illegible] Authority using policemen for [illegible] investigations: no-one [illegible] they have done a proper job."

It bodes ill for the new audit regime that senior partners have their doubts before it has even got off the ground.

ACCOUNTANCY APPOINTMENTS

Financial Controller

c£35,000 + Car

This client, part of [illegible] major British plc, [illegible] an [illegible] *million industrial services* business which has grown organically and by acquisition in the [illegible] and [illegible] Europe.

They now intend to appoint [illegible] Financial Controller [illegible] report to the Finance Director with [illegible] initial brief to work alongside [illegible] UK business managers to improve their financial management further – particularly the return they achieve on assets; to [illegible] the bedding down of [illegible] reporting systems; [illegible] sharpen up the quality of reported information and [illegible] supervise the regional accounting staffs. During 1992 the responsibilities will be *extend[illegible] [illegible] Europe.*

Applicants should be graduate chartered accountants with about 5 years post qualification experience, at least half of which should have [illegible] gained in [illegible] [illegible] industry in a senior financial analytical [illegible] management accounting capacity. Good interpersonal skills [illegible] very important together with the energy, drive and ambition [illegible] [illegible] the initial role quickly in order to progress. There will be [illegible] business travel with an emphasis [illegible] *Inner London and the [illegible] of the South West arc of the M25.*

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[illegible]is vital position, reporting [illegible] [illegible] [illegible]cial Director, has been [illegible] in order [illegible] that [illegible] future management [illegible] requirements [illegible] the organisation [illegible]e met. But it is [illegible] more [illegible] just a [illegible]ical role. [illegible] [illegible] candidate will [illegible] [illegible] bring strong [illegible] [illegible] which will [illegible] needed to appreciate [illegible]omplex business issues involved. [illegible]onally there will be a very broad scope [illegible]prove the department in every possible [illegible]

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- ☐ excellent management skills, capable of handling [illegible] developing a team of 10
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- ☐ [illegible] [illegible] determination [illegible] achieve the objectives of the department.

■ [illegible] send your cv, in confidence, with an indication [illegible] [illegible] remuneration [illegible] L J Field, Personnel Consultant, Centre-file Limited, 75 Leman Street, London E1 8EX.

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[illegible] *telephone or write enclosing full curriculum* [illegible] *quoting ref: 564* [illegible]

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Please send full personal and career details, including daytime telephone number and current remuneration level, in confidence to Edward Simpson, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference ES840 on both envelope and letter.

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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

El Al expects to weather the storm

Profits of some of the [illegible] airlines [illegible] been [illegible] by the Gulf war, the economic [illegible] and higher [illegible] prices. It is therefore surprising to [illegible] one airline, El Al [illegible] Airlines, confidently [illegible] to report higher profits this year, not only compared with [illegible] year but also with the boom year of 1989. Paul [illegible] reports. Page 20

■ In [illegible] of the continued recession and [illegible] improvement in passenger volumes, [illegible] prices of [illegible] European airlines have outperformed their respective markets [illegible] January. Paul Abrahams reports. Page 38

■ Northwest [illegible] has joined the queue of foreign carriers interested in bidding for a [illegible] in Qantas, the Australian [illegible] which is [illegible] privatised. Page 20

Clearing their own air

Mr Boris Yeltsin's election as president of the Russian Federation [illegible] help [illegible] managers of [illegible] peninsula's [illegible] in [illegible] Russia [illegible] more easily. Mr [illegible] all enterprises in the Peninsula, including [illegible] nickel smelters, [illegible] a larger [illegible] of their own profits. This will [illegible] the [illegible] to [illegible] the region's increasing [illegible] problems [illegible] factory [illegible]. Page 26

Shake-up of a reliable image

Investment trusts [illegible] meant to [illegible] reliable, boring companies which rarely cause [illegible] sleepless nights. Yet [illegible] announced [illegible] 82 per [illegible] fall [illegible] net [illegible] value [illegible] week, causing [illegible] per cent one-day fall in [illegible] share price on Monday. The cause lies in a [illegible] combination of the Bolshoi Ballet, Saddam Hussein, the collapse in [illegible] property market and the economic recession. Philip Coggan reports. Page 24

Receivers enter Bond company

Dallhold Investments, [illegible] family company [illegible] Mr Alan Bond (left), appeared [illegible] be [illegible] ling yesterday [illegible] receivers, appointed by a syndicate [illegible] creditors, took control of [illegible]. The [illegible] – Hongkong [illegible] Shanghai Banking Corporation, Bank [illegible] and Tricontinental Aus[illegible] – lent Dallhold [illegible] finance [illegible] of [illegible] development of a nickel mine and a refinery. Mr David Crawford, [illegible] KPMG [illegible] Marwick accountant appointed receiver/manager, said Mr Bond and his son had been removed from the board. Page 20

Market Statistics

Companies in this issue

Chief price changes [illegible]

FRANKFURT (DM)

[illegible]			
DLW	612.5	+	21.5
Heidelb Zem	[illegible]	+	45
Falls			
Hochtief	[illegible]	–	[illegible]
Holzmann Ph	1339	–	95
Leifheit	720	–	[illegible]
Linotype	[illegible]	–	9

PARIS (FFr)

Rises			
[illegible] Ct	502	+	12
Schneider	649	+	20
Spie Batignlls	420	+	17.5
Falls			
Club Med	424.7	–	[illegible]
Gen Occident	721	–	16
UAP	[illegible]	–	12

TOKYO (Yen)

[illegible]			
[illegible]	[illegible]	+	[illegible]
Honshu Chem	[illegible]	+	[illegible]
[illegible]			
C. E. C.	2200	–	200
Chuo Gyoml	570	–	50
[illegible]	2590	–	410
Takashimaya	1500	–	140

New York closed.

LONDON (Pence)

Rises			
Glynwed Intl	[illegible]	+	10
Ivory & Sime	105	+	5
Racal Telecom	354	+	[illegible]
Reliance Sec	220	+	10
SmKl Beecham A	791	+	[illegible]
South West Wtr	288	+	10
Tarmac	34	+	8
Wellcome	692	+	[illegible]
Wimpey (G)	183	+	[illegible]
Falls			
Brown Tawse	70	–	9
Crest Nichlsn	51	–	[illegible]
[illegible]	178	–	[illegible]
Granada	135	–	[illegible]
Lep	91	–	[illegible]
Lucas Inds	128	–	6
SD-Scicon	47	–	4
Securicor A	459	–	60
Security Srvs	364	–	[illegible]
[illegible]	58	–	10
Wassall	161	–	8
Wyndham	2½	–	5½

VW advances on east German sales

By Leslie Colitt in Berlin

VOLKSWAGEN, [illegible] German car group, reported a 13 per cent rise in turnover [illegible] first half [illegible] but only a 1 per [illegible] in net profits.

The [illegible] in sales [illegible] reflected the [illegible] in Germany – largely in the east. [illegible] in demand there more [illegible] compensated for falling deliveries to the [illegible] ern Europe. [illegible] result, VW expanded [illegible] position [illegible] leading European producer.

The modest rise to DM433m [illegible] net earnings continued the [illegible] in the [illegible] quarter. Mr Carl Hahn, VW chairman, [illegible] it was too early [illegible] forecast earnings for the entire [illegible]. However [illegible] maker was trying [illegible] achieve earnings which [illegible] of [illegible] years.

[illegible] VW, Audi [illegible] Seat (VW's Spanish subsidiary) cars in Germany soared by [illegible] per cent [illegible] units in [illegible] six months. Worldwide [illegible] VW Group [illegible] a record [illegible] 7.7 [illegible] cent more [illegible] the previous record [illegible] in the [illegible] period [illegible] year.

Mr Hahn said that VW was [illegible] fastest-growing car [illegible] in Europe with daily production having risen [illegible] 14,000 [illegible] from 13,400 in [illegible].

A new factory [illegible] a capacity of 250,000 vehicles [illegible] being [illegible] at Zwickau in [illegible] Germany to help [illegible] increased [illegible].

Mr Hahn told [illegible] holders meeting in Berlin that, although [illegible] city [illegible] designated [illegible] government and parliament, [illegible] headquarters would [illegible] Wolfsburg and [illegible] not [illegible] back to Berlin, [illegible] had been [illegible] until [illegible].

Skoda, [illegible] VW had acquired [illegible] year, improved exports [illegible] operated [illegible] during [illegible] part of [illegible] VW group.

[illegible] chairman predicted [illegible] demand in eastern Europe and east Germany would double by 1995 and almost triple by 2000. To meet the expected increase, VW planned [illegible] DM9bn in [illegible] 10 [illegible] production from [illegible] to 400,000 vehicles.

VW will begin expanding production capacity from 60,000 to 150,000 cars a year in China after its takeover later this year of the Shanghai Car Plant.

The group also plans [illegible] set up exclusive Volkswagen-Audi dealerships in Japan in order to [illegible] trate the market more effectively. Rounding out its expansion plans in Asia, [illegible] company will [illegible] up a joint venture [illegible] the Ching Fong Group [illegible] produce [illegible] market the new Volkswagen Transporter in [illegible] region.

Losing grip on the spiral

The London reinsurance market faces a plunge into freefall, reports Richard Lapper

INSURING against catastrophes [illegible] to be [illegible] most popular game on the London insurance [illegible].

Attracted by handsome profits, Lloyd's syndicates [illegible] London-based specialist companies piled into the [illegible] in the [illegible] and 1980s, assuming and laying off risk to each through a complex spiral of [illegible] arrangements.

The [illegible] mushroomed in 1987 [illegible] attracting to Lloyd's hundreds of new Names, wealthy individuals whose capital backs the market. Many new syndicates were formed to write the business, accounting for perhaps as much [illegible] per [illegible] of Lloyd's [illegible] premiums of £5.5bn ($8.9bn) in 1988.

But overcapacity and competition depressed premiums and many risks were rated unrealistically. Then in 1988 and 1989, the market was submerged by catastrophes [illegible] the Piper Alpha oil rig disaster, [illegible] storms in western Europe and Hurricane Hugo, which left a trail of devastation in the Caribbean and US in September 1989.

The market has begun to disintegrate. As accountants calculate the costs of expansion, many Names who joined the catastrophe syndicates are bearing the brunt of the crisis. "The market of last resort" has come unstuck, says one London underwriter.

Companies such as Cigna Re of the US have withdrawn from the market while others such as Victory Re, Mercantile and General Re have reduced their commitments. Prices have risen to unprecedented highs and capacity on the market has shrunk by as much as 75 per cent in the past 18 months.

Although there are hopes of recovery in some quarters, critics believe that the market is on the road to extinction as more *efficient and better capitalised* competitors, such as the large continental reinsurers, Munich Re, Swiss Re and Cologne Re, provide alternative ways of insuring against disasters.

In 1987, syndicates specialising in catastrophe insurance were among the most profitable at Lloyd's, some of them taking up to 10 times more in premium than they paid out in claims.

The market's sudden demise is partially explained by the unusual number of catastrophe claims between 1987 and 1990. Europe and But it is not just the volume and size of claims. The way they have hit the market has exposed the shortcomings of the way the London market insures disasters.

Typically reinsurers – whether syndicates or [illegible] – divide a risk into [illegible] layers. A typical [illegible] of loss) reinsurance [illegible] would [illegible] £1m [illegible] but [illegible] be broken [illegible] as [illegible] as 25 [illegible] layers, [illegible]. These in turn [illegible] vertically with [illegible] Lloyd's syndicates [illegible] participating in [illegible] layer.

[illegible] would in turn [illegible] their own [illegible]. A spiral of [illegible] arrangements would [illegible] in [illegible], with many players cropping up again [illegible] points in the chain – sometimes as reinsurers assuming risk, sometimes as reinsurers ceding risk to another reinsurer.

During the 1970s and [illegible], the spiral diluted [illegible] impact of individual catastrophes on [illegible] market by spreading claims through time. Mr [illegible] Marland, a [illegible] with brokers Lloyd Thompson, says he is still handling spiral claims from a fire in the Avondale Shipyards in the US in 1979.

The spiral is now unwinding. The development of electronic claims settlement systems has accelerated the speed with which claims are processed, which means that even reinsurers at high points in the chain are being asked to settle recent claims much quicker than older claims. The speed of claims settlement from recent disasters has left some insurers with cash-flow problems, resulting in painful cash calls for Lloyd's Names.

The impact has been even worse where underwriters have failed to buy sufficient reinsurance cover of their own. Inadequate reinsurance proved to be a common failing of the Lloyd's syndicates hit by Piper Alpha, for example.

The failures of a few Lloyd's syndicates [illegible] highlighted the [illegible] of the spiral. The [illegible] exponents [illegible] business "[illegible]ced their books", writing their accounts to retain the minimum possible risk on their own books.

Some players assumed so little risk that their participation in the chain amounted to little more than arbitrage – [illegible] traders exploit [illegible] in a [illegible] pricing structure.

A small [illegible] of specialist [illegible] out of [illegible] business. Earning handsome [illegible] on [illegible] handled, they produced remarkable results.

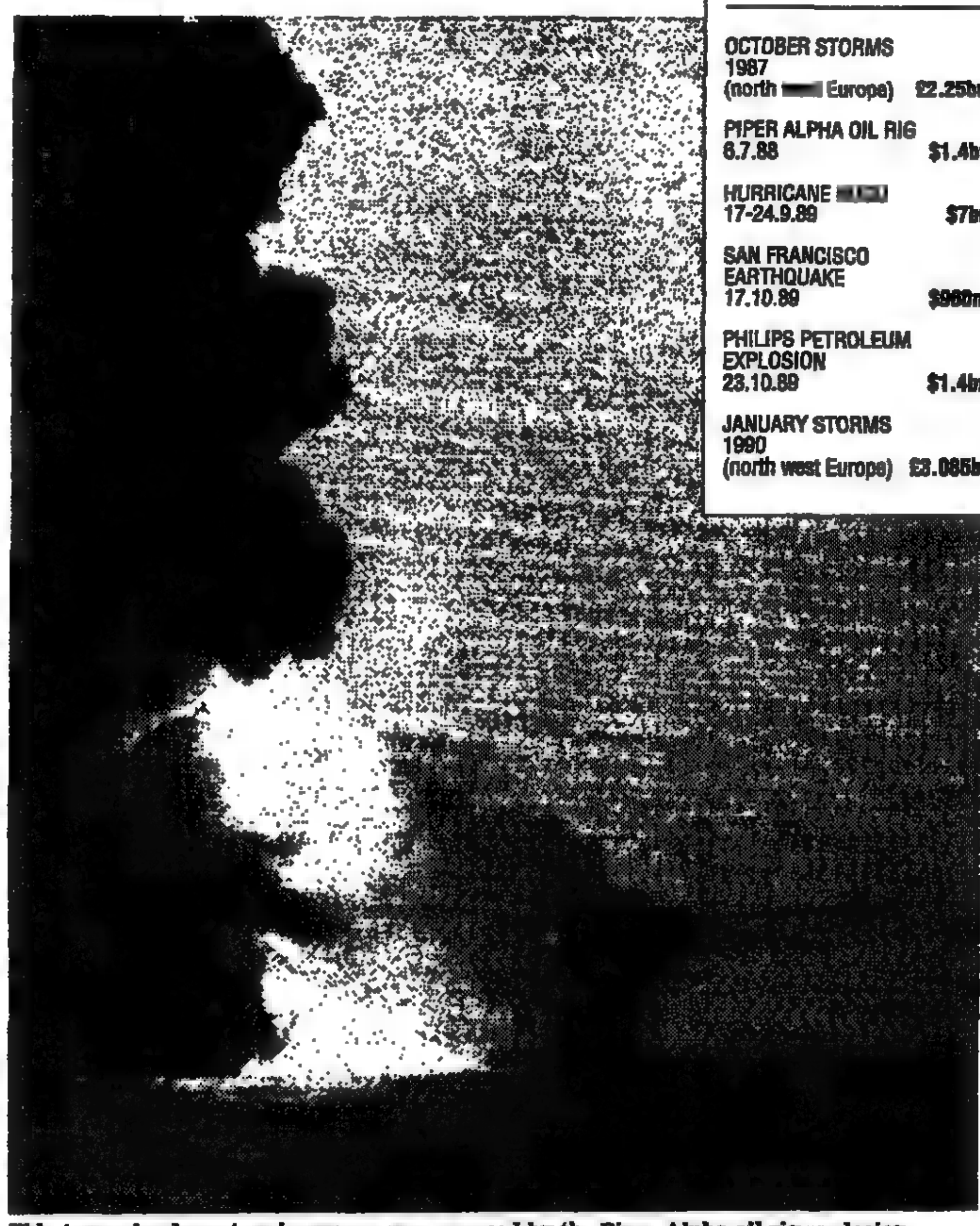
An underwriter's [illegible] partially dependent on [illegible] players [illegible] proportionately [illegible] much [illegible] compared with [illegible] premium income.

One underwriter [illegible] the "innocence" of [illegible] underwriters in [illegible] a necessary condition for others to practice successful arbitrage.

Some critics argue that the experience shows syndicates and small companies are too small to write catastrophe insurance. Lloyd's syndicates are especially vulnerable because they are dissolved at the end of each year and are unable to build up sufficient reserves. "Companies and syndicates who play at these games are deluding themselves and their clients," says one underwriter.

The large German and Swiss reinsurers are also sceptical about the London catastrophe market's future.

"I think that some Lloyd's syndicates have written business without really assessing the risks," says Mr Jurgen Zech, chief executive of Cologne Re.



Tide turns: inadequate reinsurance was exposed by the Piper Alpha oil rig explosion

Losses affecting the London insurance market 1987–1990

OCTOBER STORMS 1987 (north [illegible] Europe)	£2.25bn
PIPER ALPHA OIL RIG 6.7.88	$1.4bn
HURRICANE [illegible] 17-24.9.89	$7bn
SAN FRANCISCO EARTHQUAKE 17.10.89	$960m
PHILIPS PETROLEUM EXPLOSION 23.10.89	$1.4bn
JANUARY STORMS 1990 (north west Europe)	£2.085bn

Bosch sees no upturn in profits this year

By Andrew Fisher in Stuttgart

MR MARCUS Bierich, the chief executive of Robert Bosch, yesterday forecast more gloom for the German electrical and electronics group after a profits drop in 1990.

He said Bosch had been hit by increasing price pressures in automotive components, its biggest division and one accounting for half of turnover. He also expected rising labour costs in Germany and adverse world economic and currency trends to have a negative impact.

Bosch is attempting to counter these factors by cutting costs, jobs and capital spending – from DM2.8bn ($1.53bn) in 1990 to DM2.2bn this year. It is shifting some production of its Blaupunkt car radios and speakers to low-wage countries such as Malaysia and Portugal. The move will reduce its German workforce by a further 1,100 jobs.

The total worldwide workforce is down by 2,100 so far this year, from nearly 180,000 in 1990, with staff in Germany bearing two-thirds of the decrease.

Last year, net profits at Bosch dropped by 10.6 per cent to DM560m. The rise in turnover [illegible] only 4 per cent, [illegible] DM31.8bn, [illegible] a [illegible] cent [illegible] in 1989.

Profits from automotive components "fell drastically" in 1990, said Mr Bierich. He expected price-cutting pressures from the motor industry to continue because competition would intensify as Japanese automobile producers pushed further into European and other markets.

Higher profits from communications technology, consumer goods (white goods and power tools), and capital goods (hydraulic, pneumatic and packaging equipment) were not enough to make up for last year's fall on the automotive equipment side.

Bosch also suffered a drop of around DM100m in combined profits from its activities in Australia, Brazil and the US. Much of this reflected weakness in the national currencies.

In the first five months of 1991, group turnover rose by only 3.4 per cent to DM13.5bn, with growth coming from Germany alone.

On the automotive equipment side, turnover edged up by a mere 0.8 per cent, against a rise of 8.5 per cent between January and May 1990.

In North America, turnover declined by 6 per cent. In Australia and South America it fell by a third. For the full year, Bosch again expects turnover growth of 4 per cent.

Hanson's ability to minimise tax bill impresses analysts

By Robert [illegible] in London

HANSON, the British conglomerate which has a 2.8 per [illegible] holding in Imperial Chemical Industries, paid no mainstream corporation [illegible] in [illegible] UK [illegible].

During the [illegible] Hanson [illegible] operating profits [illegible] UK totalling [illegible] ($910.4m) and [illegible] Treasury a net refund [illegible] mainstream [illegible] tax of £600,000, highlighting [illegible] group's ability [illegible] minimise its tax payments.

[illegible] same period, GEC and BTR, [illegible] widely regarded as financially adept, paid more than £1bn [illegible] mainstream corporation [illegible] them. [illegible] 1982 [illegible] GEC paid [illegible] mainstream corporation [illegible] and in [illegible] full [illegible] years BTR paid £140m. ICI, meanwhile, paid £947m.

[illegible] separate analysis of Hanson's tax shows that its total bill over the past three years, including liability for overseas tax, [illegible] by far the lowest of the UK's 17 [illegible] companies, if advance corporation tax [illegible] excluded. [illegible] son's [illegible] well under [illegible]. Every [illegible] company [illegible] about 25 [illegible] cent.

At 35 per cent, ICI's tax rate [illegible] the past [illegible] was [illegible] companies [illegible] size, which [illegible] UK [illegible] government's [illegible] Budget.

Mr [illegible] Winterton, [illegible] Conservative MP who is supporting [illegible] campaign [illegible] Hanson [illegible] bidding [illegible] it, will [illegible] the prime [illegible], Mr John Major, to take a close [illegible] in [illegible] low [illegible] charge. He will [illegible] raising Hanson's tax payments in [illegible] of Commons, probably at prime minister's question time.

Leading accountants said that in [illegible] early [illegible] there were plenty [illegible] opportunities [illegible] defer [illegible] tax [illegible]. For example, [illegible] per [illegible] year [illegible] on capital expenditure and inflationary [illegible] in [illegible].

However, Mr Tony Allen, a partner of Coopers Deloitte, [illegible] that if [illegible] operating company's profits [illegible] in [illegible] cases [illegible] would have paid corporation tax.

Hanson did pay [illegible] corporation tax in the period. This is a tax on dividends, which can [illegible] offset against a company's liability to pay mainstream corporation tax.

However, Hanson paid just £16.4m of advance corporation tax between 1981 and 1985. The group's ACT shot up to £44m in 1986. If all the ACT is taken into account, the UK tax rate paid by Hanson in the period was just 10.5 per cent.

Another accountant said that the ACT charge probably indicated that profits described by Hanson as UK profits had been taken offshore – otherwise they [illegible] taxable and would have [illegible] the ACT charge.

Hanson's UK [illegible] rose sharply in 1987. It paid a UK rate of 17.7 per [illegible] on [illegible] between 1987 and 1990. Mr Martin Taylor, Hanson's vice chairman, said the tax rate rose because the group had changed the way that it [illegible] worldwide operations.

Nedlloyd sells stake in Nimox to NV Brabant

By Ronald van [redacted] Krol in Amsterdam

NEDLLOYD, the transport and [redacted] group [redacted] in the Netherlands, [redacted] it had sold its 15.4 per cent stake in Nimox, a Dutch trading house, to NV Brabant, a venture-capital company.

Nimox, whose trading activities range from car dealerships to sportswear, has annual turnover of around Fl 400m ($200m).

Nedlloyd declined to give the sale price, but said the divestment was part of its strategy of selling off several non-core businesses to raise Fl 800m by March 1992. Last month, it announced that it planned to sell its remaining 40 per cent stake in Transavia, a Dutch charter airline, to KLM.

Since early 1991, Nedlloyd has come under intense pressure from its single [redacted] shareholder, Mr Torstein Hagen, [redacted] London-based [redacted]wegian investor, to speed up the sale of businesses unrelated to its core activities, shipping and land transport.

Mr Hagen argues that the sale of all non-core businesses would yield Fl 1.7bn for Nedlloyd, which swung into heavy losses last year. Nedlloyd has so far refused to meet Mr Hagen's demand for a seat on its supervisory board.

Statoil plans offices in Warsaw and Singapore

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, plans to open representation offices in Singapore and Warsaw.

Initially, the Warsaw office will aim to develop business opportunities in the Polish market with a view to opening its first Statoil-branded petrol stations there by 1992. Statoil said that over the past three years it had tripled sales of crude oil and refined products in Poland.

In Singapore, Statoil's office will be a trading unit for crude oil and refined products, enabling it to expand its business to global trading.

Banesto group lifts Urbis holding

By Tom Burns in Madrid

CORPORACION Banesto, the Spanish conglomerate, yesterday increased its equity in one of the [redacted] domestic real estate companies as part of a new investment strategy.

Corporacion, which has recently made several large asset disposals, bought 10 per cent of Urbis, [redacted] company developing commercial and industrial estates in Madrid and in southern Spain, from Mr Jacques Hachel, an Argentine-born financier who resigned [redacted] Urbis' chairman following the acquisition.

The deal, worth some Pta4.3bn ($37.3m) [redacted] Urbis' current market prices, raised the real estate company to 35 per [redacted].

Last week, the conglomerate, which is controlled by the retail bank Banesto, acquired [redacted] cent of Sanson, a large cement-producer, to raise its shareholding in the company to 47 per cent.

The 4 per cent of Sanson equity had been held by Petromed, an oil refining [redacted] in which Corporacion had a 24 per cent stake, and which is now being acquired by British Petroleum. Banesto's conglomerate sold its Petromed equity [redacted] BP last month, paving the way for the UK group's takeover of the Spanish refiner. It also sold [redacted] per [redacted] of its insurance affiliate, Union y Fenix, to France's AGF.

Banesto said Corporacion was in the process of disinvesting from companies that it did not control, as well as from sectors, such as the oil industry, which were dominated by multinational groups.

The equity purchases in Urbis and in Sanson [redacted] part of Corporacion's strategy of concentrating part of its resources in the construction industry, a sector in which the conglomerate has considerable weight for [redacted] controls Agroman, one of the leading domestic building contractors.

Mr Mario Conde, chairman of both Banesto and Corporacion, hinted at a reappraisal of the conglomerate's assets at its recent shareholders' meeting. Further disposals and acquisitions are expected after the summer.

Cellnet returns dent Securicor profits

By Richard Gourlay in London

SHARES in Securicor, the UK security and parcels delivery [redacted] plunged yesterday after sharply lower-than-expected profits from [redacted] 40 per [redacted] stake in Cellnet, the cellular radio telephone operator.

Pre-tax profits in the six months to March fell 56 per cent to £13.47m ($21.5m) with the largest factor a £7.7m fall to £12.13m in Securicor's share of Cellnet's pre-tax profits.

After [redacted] of [redacted] growth in dividends, including a 46 per cent jump last year, Securicor held its interim dividend at 0.62p. The shares fell 60p to 459p.

Mr Roger Wiggs, the chief executive, said Securicor and the market had been expecting a £10m greater contribution from Cellnet [redacted] year ago.

BT, which controls 60 per cent of Cellnet, insists that any announcements about the network's performance should originate from it, which had prevented [redacted] warning the market as the year prog[redacted] he [redacted].

[redacted] its underperformance compared with expectations last year was because net additions of subscribers [redacted] not [redacted] much [redacted] expected and the [redacted] led to a 10 per cent lower usage by existing subscribers than [redacted] year ago.

The average Cellnet subscriber, of which there are now 520,000, was spending £700 a year, Cellnet said.

Cellnet is also receiving 10 per cent less usage per subscriber than Vodafone, Racal Telecom's cellular network market leader, because it had less penetration into the higher value added service sector, Cellnet said. Cellnet only reveals its results when it places them in Companies House up to 11 months after the end of its financial year.

The total connections on the cellular market showed its first monthly fall in April this year. Cellnet says it is closing the gap with Vodafone, which controls 55 per cent of the market, taking 65 per cent of net new additions in the last six months.

Mr Wiggs said Securicor's non-cellular, or managed businesses, had suffered from the recession much as expected.

The biggest problem was in the parcels business which accounted for most of the £5.6m fall to £4.96m in the security and parcels division.

Customers had substantially switched from using next day delivery services to economy services which commanded lower margins.

The hotels, vehicles and employment service division also suffered, with pre-tax profits down from £955,000 to £502,000. In particular, the company had far failed to sell its Ford dealerships as part of the strategy to leave car retailing.

A fall in interest earned from the balance of a rights issue helped the fall in investment and insurance income from £2.51m to £403,000.

The communications retailing business continued to make losses, rising from £2.94m to £4.52m and is not now expected to break even before 1993, Mr Wiggs said.

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Volvo ends talks with E European producers

By Robert Taylor in Stockholm

VOLVO Truck Corporation, part of the Swedish auto group, announced yesterday it had decided to terminate talks with Tatra and Liaz, the Czechoslovakian truck manufacturers, over a co-operation agreement.

Discussions have been going on for the past 18 months about areas where the two could work together. However, Volvo said yesterday that "after careful consideration and in-depth analysis", it had decided "not to give priority to a comprehensive engagement with or a possible takeover" of the truck-makers.

This will disappoint Tatra and Liaz, although Volvo said the discussions had been carried out in "a positive and constructive atmosphere".

Last year, Volvo, in alliance with Renault of France, failed to acquire a substantial stake in Skoda, the Czechoslovakian state-owned car-maker.

However Volvo – like other truck-makers – is going through a lean period at the moment with the decline in the size of the European truck market over the past 12 months. Despite this, in Germany the company enjoyed an 8 per cent market growth during the first quarter of this year.

Total deliveries of Volvo [redacted] fell by 14 per cent, or 11,000 units, in the same period. The backlog of orders for trucks was slightly lower at the end of the quarter.

Lucas Industries warns of 50% second-half fall

By John Griffiths in London

SIR Tony Gill, chairman of Lucas Industries, used yesterday's evidence of a continuing slump in UK new car sales as a convenient peg on which to hang a warning that Lucas' second-half pre-tax profit will be only about half the £55.3m ($88.5m) achieved in the six months to January 31.

Implicit in the warning was that, unless the UK's badly depressed automotive sector picks up, further jobs will have to go at Lucas, which has already shed 3,000 in the past 12 months.

Virtually all the jobs have gone in the UK motor component operations, and Sir Tony blames the automotive sector almost entirely for Lucas' problems.

Shares in the automotive-to-aerospace group, which employs 29,000 in the UK after the recent cuts, promptly fell 8p to close at 128p.

The warning about this year's second half follows an interim performance which was itself 31 per cent lower at the pre-tax profit level than in 1990. Turnover on automotive business in the first half fell only slightly, from £742.8m to £725.7m, but the squeeze on margins was reflected in operating profit sinking from £51.5m to £33.4m. Aerospace sales were flat at £338m, as were operating profits of £32m.

However, [redacted] is by [redacted] means [redacted] in [redacted] predicament. Chairmen [redacted] virtually [redacted] the la[redacted] UK component [redacted] with a heavy depen[redacted] on [redacted] automotive markets and manufacturers have either already warned of worses time ahead unless demand for vehicles and parts picks up, or are bracing themselves to do so.

They are having to cope with the sharpest downturn in new car and truck sales – although not the lowest numbers – since the Second World War.

Truck sales, in particular, are running at less than half the levels of two years ago, and Lucas Automotive is a leading supplier of heavy duty electrical systems, batteries and braking systems for such vehicles.

Statistics released yesterday also showed car sales down 31.2 per cent on a year-on-year basis, with manufacturers predicting sales as low as 1.5m this year – down 35 per cent on the 2.3m of two years ago. Production is not as badly hit, due to rising exports, but is providing component-makers with little relief from increasingly squeezed profits margins on falling turnover.

A Lucas spokesman yesterday said a depressed UK aftermarket for replacements parts, which accounts for about one-quarter of Lucas' £1.3bn automotive turnover, was also contributing to the profits plunge.

Unlike [redacted] periods, Lucas also [redacted] property or other asset disposals to offset redundancy and other exceptional costs for the second half.

While Sir Tony did not specifically refer to potential job losses yesterday, he has warned elsewhere in the past few days that "if market conditions continue to worsen we will have to take action to [redacted] competitiveness".

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INTERNATIONAL COMPANY NEWS IN BRIEF

BA deal near says Sabena

SABENA, the Belgian airline, expects British Airways to invest BFr6bn ($159m) in return for a 25 per cent stake in the national carrier, according to an official Sabena spokesman, Reuter reports.

Mr Daniel Devinck said talks with BA were close to fruition and that the deal, expected to be agreed by the end of the month, would also secure subsidies promised by the government if the ailing airline found a partner.

He said the European Commission, which must approve such a link, had been kept informed and that the airlines expected it would not raise any [redacted] to their alliance.

Mr Devinck said talks [redacted] continuing with Air France and Thai Airlines about collaboration on flights to Africa and Bangkok, not investment in Sabena.

The Belgian government plans to give Sabena about $1bn in subsidies, of which around half would go towards wiping out the airline's debts and the rest to helping it carry out a major restructuring plan.

■ Interbrew, Belgium's largest brewer, has agreed to take over Belle Vue, a leading producer of Belgian speciality beers such as Geuze, Kriek and Framboise beers, Reuter reports.

Interbrew declined to disclose the terms of the deal but said Belle Vue will become a full subsidiary of privately owned Interbrew, strengthening its market position.

Interbrew, which produces Stella Artois lager beer, is one of Europe's leading brewers. Consolidated net profit was BFr2.3bn in 1990 on consolidated turnover of BFr58.4bn.

■ Union des Assurances de Paris, the French insurer, and Banque Nationale de Paris have created a joint venture to market UAP's damage insurance products to BNP clients, Reuter reports.

The venture, to be named Natio Assurances, will [redacted] initial capital of F[redacted] ($800,000) and [redacted] equally owned by BNP and UAP.

UAP and BNP, which last year took 10 per cent cross-stakes in each other, already have an informal pact to sell UAP products through BNP branches.

■ Immobiliere de Belgique, Belgium's largest property group, intends to acquire fellow Belgian building and property group Montho, by transferring 10 per cent of its capital to the present owners.

Immobel said it would pay Montho's current family owner, Mr Thomas-De Waele, with 450,000 shares subject to agreement. The shares closed at BFr3,190 in Brussels yesterday, valuing the deal at about BFr1.4bn.

Immobel's main shareholder is the holding company, Tractebel, which bought 31 per cent this May from Belgium's largest holding company Société Générale de Belgique.

Deutsche Babcock buys state group

DEUTSCHE Babcock, the engineering group, said it had taken over IKR Industrie-und Kraftwerksrohrleitungsbau GmbH in eastern Germany, Reuter reports.

Mr Heyo Schmiedeknecht, the chairman of Babcock's management board, said that IKR, a Bitterfeld-based maker of pipes for the power industry, was the 11th state-owned company acquired by the group in the former communist east.

Groupe Expansion sells title

AGEFI, the French financial newspaper, [redacted] s[redacted]d by Groupe Expansion to its rival, the Cote [redacted], writes George Graham in Paris.

Groupe Expansion, which also owns the fortnightly business magazine Expansion and the daily Tribune de l'Expansion, will take a 15 per cent stake in the Cote Desfossés, which made pre-tax profits of FFr28m ($4.5m) last year.

Agefi, a profitable specialist financial daily with a strong coverage of financial market statistics, is sold on subscription only, with a circulation of around 7,000.

It was acquired by the Expansion group in 1987, along with the Tribune and the stock market weekly La Vie Française.

MURRAY SPLIT CAPITAL TRUST PLC

This advertisement is issued in compliance with the requirements of and has been approved by the Council of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange") pursuant to Section 154(1)(a) of the Financial Services Act 1986.

This advertisement contains the terms and conditions of application, notes on the completion of the Application Form(s) and Application Form(s). This advertisement does not contain any information about Murray Split Capital Trust PLC (the "Company") (other than the information set out below) and should therefore be read in conjunction with the Listing Particulars dated 5th July 1991 (the "Listing Particulars") which alone contain full details of the Company.

Application has been made to the Council of the London Stock Exchange for all the Zero Dividend Preference Shares ("Preferred Shares"), the Income Shares and the Capital Shares of the Company issued and to be issued pursuant to the Offer to be admitted to the Official List. The Preferred Shares, the Income Shares, the Capital Shares and the Units will be separately dealt in on the London Stock Exchange. It is expected that dealings in each of the Preferred Shares, the Income Shares and the Capital Shares (together the "Shares") and the Units will commence on 30th July 1991.

Definitions set out in the Listing Particulars shall also apply in this document unless the context requires otherwise.

MURRAY SPLIT CAPITAL TRUST PLC

(Incorporated in England and Wales under the Companies Acts 1985 to 1989 with registered number 2619680)

OFFER FOR SUBSCRIPTION

sponsored and underwritten by

GREIG MIDDLETON & CO. LIMITED

of

6,400,000 Zero Dividend Preference of Shares of 10p each at 102.5p per share,
8,000,000 Income Shares of 10p each at 100p per share

and

5,600,000 Capital Shares of 10p each at 100p per share
all payable in full on acceptance

Applicants may apply for Shares of any or all classes and in any ratio, or for Units at £25.20 per Unit, each Unit comprising 8 Preferred Shares, 10 Income Shares and 7 Capital Shares. The application list for the Shares now being offered for subscription will open at 10 a.m. on 22nd July 1991 and may be closed at any time thereafter. The procedure for application and Application Forms are set out below. Completed Application Forms must be received by Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB by not later than 10.00 a.m. on 22nd July 1991.

Murray Split Capital Trust PLC is a new split capital investment trust formed to provide shareholders with three different investment choices from the same portfolio: Income Shares, designed to provide high income; Preferred Shares, for pre-determined capital growth; and Capital Shares, providing a highly geared investment in the residual capital value of the Company's net assets. The Company, which has a projected life of approximately seven years until 1998, will be managed by Murray Johnstone Limited.

Availability of Listing Particulars

Listing Particulars are included in the Companies Fiche Service available from the London Stock Exchange. Copies of the Listing Particulars may be obtained by collection only during usual business hours up to and including 9th July 1991 from The Company Announcements Office at 46-50 Finsbury Square, London EC2 and during usual business hours on any weekday (Saturday and public holidays excepted) up to and including 19th July 1991 from the registered office of the Company at 30 Coleman Street, London EC2R 5AN and from:

Greig Middleton & Co. Limited 66 Wilson Street London EC2A 2BL	Greig Middleton & Co. Limited Pacific House 70 Wellington Street, Glasgow G2 6UD
Murray Johnstone Limited 7 West Nile Street Glasgow G1 2PX	Clydesdale Bank PLC 30 Lombard Street London EC3V 9BB

Greig Middleton & Co. Limited is a member of the London Stock Exchange and the Securities and Futures Authority. Murray Johnstone Limited is a member of IMRO.

5th July 1991.

Terms and Conditions of Application for Shares and Units

(a) The contract created by the acceptance of applications under the Offer will be conditional upon (i) the admission of the Preferred Shares, the Income Shares and the Capital Shares, issued and to be issued under the Offer, to the Official List of the London Stock Exchange and such admission becoming effective in accordance with the London Stock Exchange's rules by no later than 30th July 1991 (or such later date, not being later than 13th August 1991 as the Company, the Manager and Greig Middleton may agree) and (ii) the Offer for Subscription Agreement referred to in Section 8 of Part III becoming unconditional and not being terminated in accordance with its terms.

(b) The right is reserved to present all cheques and bankers' drafts for payment on receipt by 22nd July [illegible] and to retain certificates and surplus application money pending clearance of successful applicants' cheques. The right is also reserved to reject in whole or in part, or to scale down or limit, any application (but on the basis that applications on Unit Application Forms will be subject to scaling down only in the Offer ratio of 8 Preferred Shares: 10 Income Shares: 7 Capital Shares).

If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application money or, as the case may be, the balance thereof will be returned without interest (such interest being retained for the benefit of the Company) by returning the applicant's(s') cheque or banker's draft or by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application money will be retained by Clydesdale Bank PLC in a separate account.

(c) By completing and delivering the Application Form(s), you:

(i) offer to subscribe for the number of Preferred Shares and/or Income Shares and/or Capital Shares and/or Units specified in your Application Form(s) (or such lesser number for which your application is accepted) at the Offer Price and on the terms of, and subject to, the conditions set out in this document, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;

[illegible] agree that, in consideration of the Company agreeing that it will not prior to 13th August 1991 offer securities for subscription to any person other than by means of the procedures referred to in this document, your application may not be revoked until after 13th August 1991 and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by Clydesdale Bank PLC of your Application Form(s);

[illegible] warrant that the remittance accompanying your Application Form(s) will be honoured on [illegible] presentation and agree that if it is not so honoured the Company may (witho[illegible] prejudice to any other rights it may have) avoid the agreement to [illegible] the [illegible] Shares and may [illegible] them to some other person, in which case you will not be entitled to any refund or payment in respect thereof;

[illegible] agree that, in respect of those Shares and/or Units for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Clydesdale Bank PLC;

(v) agree that any share certificate or unit certificate and any money returnable to you may be retained by Clydesdale Bank PLC pending clearance of your remittance and that such money will not bear interest;

[illegible] authorise Clydesdale Bank PLC to send (a) fully paid definitive share certificate(s) and/or a fully paid [illegible] certificate for the Units in respect of the number of Shares, and/or Units as the case may [illegible] which your application is accepted and/or crossed cheque for any money returnable, by post to the [illegible] of the person (or in the case of joint holders the first-named person) named as an applicant in [illegible] Application Form(s);

(vii) [illegible] that, if you sign (an) Application Form(s) on behalf of someone else or on behalf of a corporation, [illegible] have due authority to do so [illegible] behalf of that other person and undertake to enclose your power of attorney or a copy thereof cer[illegible] by a solicitor, where that is required by the "Notes on how to Complete the Application Form(s)";

(viii) agree that all applications, acceptances of applicants and contracts resulting therefrom under the [illegible] shall be governed by and construed in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, ac[illegible] and contracts in any other manner permitted by law or in any court of competent jurisdiction;

(ix) confirm that in making such application you are not relying on any information or representation in relation to the Company other than those contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;

[illegible] authorise Clydesdale Bank PLC or Greig Middleton or any perso[illegible] by them, as your agent, to do all things necessary to effect registr[illegible] of [illegible] Shares, inc[illegible] those comprised within Units, subscribed by you into your name(s) and authorise any representative of Clydesdale Bank PLC or of Greig Middleton to execute any document required therefor;

(xi) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations concerning the Company and the Shares and Units contained herein;

(xii) confirm that you have reviewed the restrictions [illegible] in paragraph (e) below;

(xiii) warrant that you are not under the age of 18;

(xiv) agree that all documents and cheques sent by post, by or on behalf of the Company or Greig Middleton, will be sent at the risk of the person(s) entitled thereto under the Offer;

(xv) confirm that you have read and complied with paragraph (d) below;

[illegible] agree that your application for Shares and/or Units will remain valid even if you attempt to purchase for a PEP which is subsequently voided or not established; and

(xvii) agree that your Application Form(s) is/are addressed to the Company and Greig Middleton.

(d) No person receiving a copy of this document or (an) Application Form(s) in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form(s) unless, in the relevant territory, such an invitation or offer could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make (an) application(s) hereunder to satisfy himself as to full observance of the laws of any relevant territory in [illegible] therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

(e) The Shares and Units have not been and will not be registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold in the United States. In addition, the Company has [illegible] been and will not be registered under the United States Investment Company Act of 1940, as amended. [illegible] Manager will not be registered under the United States Investment Advisers Act of 1940, as amended.

(f) The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Offer for Subscription Agreement (as the same may be altered from time to time in accordance with its terms).

(g) The basis of allocation will be determined b[illegible] Company. The [illegible] is reserved [illegible]withstanding the basis so [illegible]ermined to reject in whole or in part [illegible] scale down or [illegible] any applica[illegible] (but on the basis [illegible] any applications on Unit Application Forms will only be scaled down in the Offer ratio of 8 Preferred Shares: [illegible] Income Shares: 7 Capital Shares). The right is reserved to treat as valid any application not in all respects completed in accordance with the instructions accompanying the Application Form(s).

Notes on how to Complete the Application Forms

You [illegible] complete a SEPARATE APPLICATION FORM for each of the classes of Share which you wish to *apply for (being any or all, as the case may be, of Forms A, B and/or C) and/or for Units (Form D) in accordance* with the [illegible] set out below:

1. Insert in Box 1 (in figures) of Form A, B and/or C the number of Shares for which you are applying and/or insert in Box 1 (in figures) of Form D the number of Units for which you are applying.

Applications on Application Forms for Shares of any class must be for a minimum of 500 Shares of the relevant class or in one of the following multiples of Shares of that class:

from 500 to 1,000 Shares	in multiples of 100 Shares
from 1,000 to 10,000 Shares	in multiples of 1,000 Shares
from 10,000 to 50,000 Shares	in multiples of 5,000 Shares
above 50,000 Shares	in multiples of 10,000 Shares

Applications [illegible] Application Forms for Units must be for a minimum of 20 Units or in one of the following multiples of Units:

from 20 to 40 Units	in multiples of 4 Units
from 40 to 400 Units	in multiples of 40 [illegible]
from 400 to 2,000 Units	in multiples of 200 Units
above 2,000 Units	in multiples of 400 Units

2. Insert in Box 2 (in figures) the amount of your cheque or banker's draft.

The amount inserted in Box 2 should be equal to the number of Shares of the relevant class or Units which you are applying for multiplied by the Offer price of:

(i) 100p per Income Share, and 100p per Capital Share and 102.5p per Preferred Share; and

(ii) £25.20 per Unit.

3. Insert your full name and address in BLOCK CAPITALS in Box 3.

4. *Sign and date the Application Form(s) in Box 4.*

The Application [illegible] may be signed by another person on your behalf (a[illegible]or on behalf of any joint applicant(s)) if [illegible] authorised to do so, but the power(s) of attorney (or a copy [illegible] thereof duly certified by a solicitor) or form(s) of authority must be enclosed for inspection. A corporation s[illegible]d sign under the hand of a duly authorised official whose representative capacity must be stated.

5. You must pin a separate cheque or banker's draft to each completed Application Form in Box 5. Your cheque(s) or bankers' draft(s) must be payable [illegible] "Clydesdale Bank PLC" [illegible] the [illegible] payable on applica[illegible] shown in Box 2 on the relevant Application Form, should be crossed "Not Negotiable" and should be sent to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB.

No receipt will be issued for this payment.

Your cheque(s) or bankers' draft(s) must be drawn in sterling on an account at a branch (which must be in [illegible] United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the Clearing Houses and must bear the appropriate sort code number in the top right-hand corner.

An Application Form may be accompanied by (a) cheque(s) drawn by a person other than the applicant(s) but any money to be returned will be sent by crossed cheque in favour of the person named in Box 3.

A separate cheque or banker's draft must accompany each Application Form.

6. You may apply jointly with up to three other persons except in respect of applicants taking out a PEP. You must then arrange for the Application Form(s) to be completed by or on behalf of each joint applicant. Their full names and addresses should be inserted in BLOCK CAPITALS in Box 6.

7. Box 7 must be signed by or on behalf of each joint applicant (other than the first applicant who should complete Box 3 and sign Box 4).

You must send the completed Application Form(s) by post, or deliver it by hand, to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB, so as to arrive not later than 10.00 am on 22nd July 1991.

If you post your Application Form(s) you are recommended to use first class post and to allow at least two business days for delivery.

FORM A PREFERRED SHARES APPLICATION FORM

MURRAY SPLIT CAPITAL TRUST PLC

IMPORTANT: Before completing this form you should read the notes set out above.

All applicants must complete boxes 1-5

I/We offer to subscribe for		Preferred Shares at 102.5p each	See Note 1	1

in Murray Split Capital Trust PLC, on the terms and subject to the conditions of application set out above

and I/we attach a cheque or banker's draft for the total amount payable of:	£	See Note 2	2

PLEASE USE BLOCK CAPITALS

Mr/Mrs/Miss or Title	Forename(s) (in full)	See Note 3	3
Surname			
Address (in full)			
		Postcode	

Dated 1991	Signature	See Note 4	4

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Clydesdale Bank PLC" and crossed "Not Negotiable", and send to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB	5

Boxes 6 and 7 must only be completed in the case of joint applicants.

Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title See Note 6	6
Forename(s) (in full)	Forename(s) (in full)	Forename(s) (in full)	
Surname	Surname	Surname	
Address (in full)	Address (in full)	Address (in full)	
Postcode	Postcode	Postcode	
Signature 7	Signature 7	Signature See Note 7	7

For official use only

A. Acceptance Number		D. Amount Payable (£)	
B. Shares Allotted		E. Amount Returned (£)	
C. Amount Received (£)		F. Returned Cheque No.	

FORM B INCOME SHARES APPLICATION FORM

MURRAY SPLIT CAPITAL TRUST PLC

IMPORTANT: Before completing this form you should read the notes set out above.

All applicants must complete boxes 1-5

I/We offer to subscribe for		Income Shares at 100p each	See Note 1	1

in Murray Split Capital Trust PLC, on the terms and subject to the conditions of application set out above

and I/we attach a cheque or banker's draft for the total amount payable of:	£	See Note 2	2

PLEASE USE BLOCK CAPITALS

Mr/Mrs/Miss or Title	Forename(s) (in full)	See Note 3	3
Surname			
Address (in full)			
		Postcode	

Dated 1991	Signature	See Note 4	4

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Clydesdale Bank PLC" and crossed "Not Negotiable", and send to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB	5

Boxes 6 and 7 must only be completed in the case of joint applicants.

Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title See Note 6	6
Forename(s) (in full)	Forename(s) (in full)	Forename(s) (in full)	
Surname	Surname	Surname	
Address (in full)	Address (in full)	Address (in full)	
Postcode	Postcode	Postcode	
Signature 7	Signature 7	Signature See Note 7	7

For official use only

A. Acceptance Number		D. Amount Payable (£)	
B. Shares Allotted		E. Amount Returned (£)	
C. Amount Received (£)		F. Returned Cheque No.	

FORM C CAPITAL SHARES APPLICATION FORM

MURRAY SPLIT CAPITAL TRUST PLC

IMPORTANT: Before completing this form you should read the notes set out above.

All applicants must complete boxes 1-5

I/We offer to subscribe for		Capital Shares at 100p each	See Note 1	1

in Murray Split Capital Trust PLC, on the terms and subject to the conditions of application set out above

and I/we attach a cheque or banker's draft for the total amount payable of:	£	See Note 2	2

PLEASE USE BLOCK CAPITALS

Mr/Mrs/Miss or Title	Forename(s) (in full)	See Note 3	3
Surname			
Address (in full)			
		Postcode	

Dated 1991	Signature	See Note 4	4

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Clydesdale Bank PLC" and crossed "Not Negotiable", and send to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB	5

Boxes 6 and 7 must only be completed in the case of joint applicants.

Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title See Note 6	6
Forename(s) (in full)	Forename(s) (in full)	Forename(s) (in full)	
Surname	Surname	Surname	
Address (in full)	Address (in full)	Address (in full)	
Postcode	Postcode	Postcode	
Signature 7	Signature 7	Signature See Note 7	7

For official use only

A. Acceptance Number		D. Amount Payable (£)	
B. Shares Allotted		E. Amount Returned (£)	
C. Amount Received (£)		F. Returned Cheque No.	

FORM D UNITS APPLICATION FORM

MURRAY SPLIT CAPITAL TRUST PLC

IMPORTANT: Before completing this form you should read the notes set out above.

All applicants must complete boxes 1-5

I/We offer to [illegible] for		Units at £25.20 each	See Note 1	1

in Murray [illegible] Capital Trust PLC, on the terms and subject to the conditions of application set out above

and I/we attach a cheque or banker's draft for the total amount payable of:	£	See Note 2	2

PLEASE USE [illegible] CAPITALS

Mr/Mrs/Miss or Title	Forename(s) (in full)	See Note 3	3
Surname			
Address (in full)			
		Postcode	

Dated 1991	Signature	See Note 4	4

Pin your cheque or banker's draft for the amount shown in Box 2 made payable to "Clydesdale Bank PLC" and crossed "Not Negotiable", and send to Clydesdale Bank PLC, Corporate Investment Services, 30 Lombard Street, London EC3V 9BB	5

Boxes 6 and 7 must only be completed in the case of joint applicants.

Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title	Mr/Mrs/Miss or Title See Note 6	6
Forename(s) (in full)	Forename(s) (in full)	Forename(s) (in full)	
Surname	Surname	Surname	
Address (in full)	Address (in full)	Address (in full)	
Postcode	Postcode	Postcode	
Signature 7	Signature 7	Signature See Note 7	7

For official use only

A. Acceptance Number		D. Amount Received (£)	
B. Shares Allotted		E. Amount Payable (£)	
C. Comprising:		F. Amount Returned (£)	
Preferred Shares		G. Returned Cheque No.	
Income Shares			
Capital Shares			

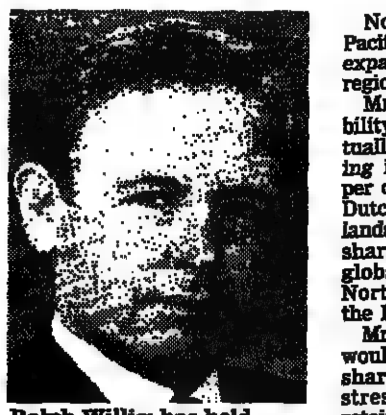
Northwest Airlines plans to bid for stake in Qantas

By Kevin Brown in Sydney

NORTHWEST Airlines, the fourth biggest US airline, yesterday confirmed its intention to bid for a stake in Qantas, the government-owned Australian carrier which is to be part-privatised.

The announcement, made in Sydney by Mr Al Checchi, Northwest's co-chairman, followed the inauguration earlier this week of Northwest services from Los Angeles to Sydney via Honolulu.

Mr Checchi said Northwest would file a formal expression of interest with the Australian government next week. Informal talks have already been held with Mr Ralph Willis, the finance minister.



Ralph Willis: has held talks with Northwest

The government wants to sell 49 per cent of Qantas, subject to a ceiling of 35 per cent on total foreign ownership and 25 per cent on individual holdings.

Mr Willis expects to place an initial 35 per cent with two or more foreign airlines later this year, followed by a domestic flotation of the remaining 14 per cent stake next year.

The sale is part of a programme of federal government asset sales which also includes 100 per cent of Australian Airlines, the largest [illegible] airline, and [illegible] the government-owned Commonwealth Bank.

[illegible] is one of several foreign airlines which have expressed an interest in Qantas, including Singapore Airlines, Japan Air Lines and United Airlines of the US. British Airways and Lufthansa of Germany were initially regarded as strong bidders, but [illegible] is thought to have cooled.

Northwest has extensive Pacific routes, and is keen to expand in the south Pacific region.

Mr Checchi raised the possibility that Qantas might eventually take a cross-shareholding in Northwest, which is 20 per cent owned by KLM Royal Dutch Airlines of the Netherlands. He said such a cross-shareholding would create a global partnership spanning North America, Europe and the Pacific.

Mr Checchi said Northwest would not want to be a passive shareholder in Qantas, but stressed the airline would retain its independent management and Australian character.

Northwest had earlier suggested its bid [illegible] in Qantas might be made jointly with Fosters Brewing Group, formerly Elders IXL, which owns a [illegible] per cent stake in Northwest acquired by Mr John Elliott, Fosters' former chairman.

However, Fosters ruled out a joint bid and indicated that its Northwest stake was for sale as part of its strategy of disposing of non-core assets in order to refocus as a pure brewing group.

Molson to focus on expansion in US

By Bernard Simon in Toronto

MOLSON, the diversified Canadian brewer, will focus in the year ahead on cutting costs in its domestic operations and expanding its penetration of the US beer market, shareholders were told at the annual meeting yesterday.

Molson Breweries, a joint venture with Foster's Brewing of Australia, is Canada's largest brewer and the second biggest supplier of imported beers in the US with a 17 per cent market share.

But Molson's ambitions for a major overseas brewing acquisition were dented last year by the financial problems of Foster's parent, Harlin Holdings, and its subsequent link with the Japanese brewer Asahi.

Molson has subsequently written off its 6 per cent equity stake in Harlin and an indemnity it provided for C$112m (US$97.3m) of the Australian group's debt.

Mr Mickey Cohen, the company's chief executive, made no mention yesterday of international brewing acquisitions.

Instead, the presentation to shareholders dealt at length with the recent purchase by Molson's cleaning services subsidiary, Diversey Corp, of Cincinnati-based DuBois Chemicals, the US's second biggest cleaning and sanitising company.

Mr Cohen said that, despite the recession, Molson expects to post its sixth successive year of improved operating profits in fiscal 1992. He said that retail businesses, which also include a chain of hardware stores, showed some signs of recovery in June.

The Harlin provisions pushed Molson to a C$38.7m net loss in the year to March 31, but earnings excluding extraordinary items rose by 11 per cent to C$118.5m.

● Mr Cohen said after the meeting he expected earnings in the current year to be higher than fiscal 1991's C$3.32 a share before charges, despite a "tough first quarter", AP-DJ reports.

The Molson executive would not elaborate on the earnings outlook.

Receivers take control of main asset of Dallhold Investments

By Kevin Brown

DALLHOLD Investments, Mr Alan Bond's family company, appeared to be crumbling yesterday after receivers – appointed by a syndicate of creditors – took control of its main asset.

The creditors – Hongkong and Shanghai Banking Corporation, Bank of New Zealand and Tricontinental Australia – lent Dallhold US$300m to finance its share of the development of a nickel mine at Greenvale, Queensland, and a refinery at Townsville.

Dallhold's 72 per cent stake in the project – the Queensland Nickel Joint Venture – was held through three subsidiaries of which Mr Bond and his son Craig were directors.

Mr David Crawford, the KPMG Peat Marwick accountant appointed receiver/manager of the three companies, said Mr Bond and his son had been removed from the board, with another director.

Mr Crawford said the [illegible] government's 28 per cent stake in the joint venture was not affected by the receivership. Local management of the mine and refinery will remain unchanged. But the receivership could complicate negotiations over nickel imports required to keep the Townsville refinery open after the Greenvale mine's reserves expire in 1993.

The state government has proposed an A$88m (US$67.1m) deal to provide port facilities for nickel imports at Townsville, under which Dallhold would [illegible] required to finance spending of [illegible].

● J.N. Taylor Holdings, which claims it is owed more than A$100m by Dallhold, said it would ask the federal court to appoint a provisional liquidator.

Dallhold's remaining assets include [illegible] of art, property and investments, shareholdings in a number of companies, including a 56 per cent stake in Bond Corporation, once the quoted flagship of the Bond group.

The Bond Corp stake will be diluted to around 5 per cent under a debt-for-equity swap being negotiated by the company with its creditors, mostly European bondholders.

El Al wants to spread its wings

Efforts to privatise the airline have been revived, writes Paul Betts

PROFITABLE airlines have become a rare species these days. Savaged by the collapse of air travel during the Gulf war, the economic recession and higher fuel prices, even some of the strongest international airlines have been swimming in a sea of red ink this year.

It is therefore all the more surprising to find one airline, based in the Middle East, confidently expecting to report higher profits this year, not only compared with last year but also to the boom year of 1989.

Mr Rafi Harlev, president of El Al Israel Airlines, said in a recent interview in London he expected the Israeli state-owned carrier to report a profit of more than $24m this year. This would be a considerable improvement on last year's $14m earnings, which were 40 per cent down on 1989 profits of $24m.

Rafi Harlev: a speedy restructuring programme helped the airline stay in the black last year

Mr Harlev said he felt it was an achievement to have ended last year in the black and reflected the airline's fast response to changing political and economic circumstances in the Middle East.

Within three weeks of Iraq's invasion of Kuwait last August, El Al launched a restructuring programme to adapt the airline to the new crisis situation. This involved laying off 700 part-time employees and converting several of the airline's Boeing 747 jumbos from passenger to cargo aircraft. This new fleet structure helped the airline stay in the black last year, Mr Harlev said.

But the real crunch for the airline industry came during the first two months of this year when hostilities erupted in the Gulf. "During those two months, incoming traffic to Israel dropped by 95 per cent compared with normal levels, while outgoing traffic went down slightly. Overall, traffic to and from Israel went down by more than 50 per cent," Mr Harlev said.

However, the total traffic decline for El Al was contained at around 15 to 20 per cent compared with the same period the previous year. All other carriers, except one small US airline, Tower Air, interrupted their services to Israel. This gave El Al virtually 100 per cent of the Israeli commercial airline market instead of its traditional 50 per cent share. At the same time, the decline in passenger traffic was partly offset by increased cargo traffic.

"We came out of January and February at about the same level as last year. We normally lose money during these months and although we lost money, we did not lose more than usual," the El Al president said.

The second quarter of this year has turned out to be better than last year's second quarter, with traffic recovering strongly during Easter and Passover. Mr Harlev expected the airline to break even in the first half of this year. "If we break even in the first half, we will have a good year because the second half is traditionally our strong earnings period," he said.

El Al's better-than-average performance has now revived efforts to privatise the airline.

The Israeli government decided two years ago to privatise El Al, but the plans were put on ice following the Middle East crisis last year.

Mr Harlev said privatisation would benefit the airline by improving management decision-making and by providing most of the $1.5bn of capital the airline will require during the next 10 years to re-equip and modernise its fleet. The airline is currently considering the acquisition of new wide-body aircraft and is looking at the new Boeing 777 as well as its rivals, the McDonnell Douglas MD11 and the Airbus A330/340.

Privatisation is expected to involve a first phase in which the government would probably float a 49 per cent minority stake in the airline. Mr Harlev said El Al had also attempted to forge ties with some European carriers. But this had proved unsuccessful. He said that many European and other international carriers flying into or over Arab countries are clearly reluctant to get too close to El Al.

After expanding rapidly into eastern Europe during the last four years, El Al is now interested in entering the Asia-Pacific market.

Even though the airline would have to circumvent the Arabian peninsula and fly either over the Soviet Union or across the Indian Ocean, Mr Harlev believed there was market demand for direct services from Israel to the Far East.

Commenting on the difficulties of starting up services to the Far East, Mr Harlev remarked: "The airline industry has always been interesting and challenging, but always a little more so for Israel."

Jabiluka sale hits Pancontinental shares

By Kevin Brown

SHARES in Pancontinental Mining, the Australian mining group, were marked down by 11 per cent yesterday following the sale of its Jabiluka uranium and gold deposit.

Analysts said the market's main concern was that Pancontinental's leading shareholders would sell their stock, leading to instability in the company's share register.

Pancontinental sold Jabiluka to North Broken Hill Peko (North) on Wednesday for A$125m (US$95.4m) after conceding defeat in an eight-year battle for government permission to develop the deposit.

North plans to develop Jabiluka jointly with its nearby Ranger uranium mine, but has indicated it will not challenge the [illegible] policy of the Labor government.

Mr Bob Hawke, the Labor prime minister, yesterday ruled out a special deal for the development of Pancontinental. However, the Liberal opposition has said it will allow a free market in uranium mining if it wins the 1993 election.

Pancontinental shares fell 18 cents to a record low of 58 cents in early trading on the Australian stock exchange, before staging a weak recovery to close at 65 cents.

The future of several large shareholdings remains unclear in the wake of the Jabiluka sale, including stakes held by North (13.8 per cent), Cogema, the French state-owned uranium group (14.9 per cent), and Degussa, the German industrial group (14 per cent).

Analysts said there was also concern that the large shareholders would be unwilling to approve the sale of Jabiluka, which was Pancontinental's main asset.

Jabiluka has estimated reserves of more than 200,000 tonnes of uranium oxide and 14 tonnes of gold, and has the potential to become one of the world's largest producers of low-cost uranium.

The orebody was discovered by Pancontinental in 1971, but its sale has appeared inevitable in recent weeks to reduce debts of around A$230m built up as the company diversified into magnesite and [illegible] metal mining.

The company's last hopes that Jabiluka might be developed in the short-term disappeared [illegible] Labor's biannual party conference failed to debate moves to relax government policy, which limits its uranium production to three named mines.

Pancontinental has been undergoing a reconstruction since February, when Mr Tony Grey, the chairman and founder, stepped down as chief executive after a review by Rothschild Australia, the merchant bank, which recommended write-downs of nearly A$88m.

Uncertain outlook for CSR

CSR, the Australian sugar and building materials group, said profit from its aluminium and sugar businesses could be slashed by A$50m (US$38.1m) in the year to end-March 1992, although lower housing interest rates could bolster demand for building materials, Reuter reports from Sydney.

"The outlook for this year is uncertain and does not give cause for optimism," CSR's managing director, Mr Ian Burgess, said.

In the annual report, Mr Burgess said that prices for aluminium and sugar, which together earned CSR A$120m after tax last year, were hard to predict.

"If prices remain at the levels that have prevailed in the first two months of this year, their after-tax contribution will be about A$50m less than last year. This year is, therefore, likely to be particularly difficult," he added.

CSR reported a net profit of A$325.9m in the year to March 31 against A$406.9m in 1989-90.

However, the outlook for building materials in Australia, which contributed A$114.9m to 1990-91 profit, was a little brighter.

"It is reasonable to expect a modest improvement in the second half of 1991 if lower housing [illegible] for building and construction materials," Mr Burgess said.

He added that acquisitions and new plants should add to revenue and profits and [illegible] return to normal by 1993.

Mr Burgess said CSR had underestimated the severity and length of the recession and had been a little slow to adjust to it, but the company was financially sound.

Net borrowings were cut by [illegible] to A$1.26bn at March 31 from a year earlier and gearing fell to [illegible] per cent from 32.9 per cent. The company has planned for about [illegible] in capital investment this year, up from A$452.7m last year.

Benelux Int'l to offer 25% of shares to public

BENELUX International, a magnetic data storage products maker, is making an initial offer of 25 per cent of its shares to the public to raise HK$57m (US$7.3m), AP-DJ reports from Hong Kong.

The issue of 56m new shares, underwritten by CEF Capital and Daiwa Securities [illegible], is priced at HK$1.01 each.

Based on a projected profit of HK$35m for the year ended [illegible] 31, the price represents a price/earnings ratio of [illegible] times.

The offer closes Friday and trading in the shares is expected to begin on July 25.

Blair decides to retire as Nova chairman

By Robert Gibbens in Montreal

Mr ROBERT BLAIR, who built up a small Alberta pipeline company into a large gas transmission, oil and gas and petrochemical group, plans to retire as chairman of Nova.

The move would provide for "timely succession," he said.

Mr Blair, aged 61, the son of a famous engineer who headed Bechtel Canada for many years, wants to split Nova into a separate regulated gas transmission company and a petrochemical company.

Each company would have its own chief executive. The restructuring is aimed at helping to finance of pipeline expansion and deal with a period of low petrochemical prices.

Mr Blair's impending retirement was [illegible] in the prospectus for Nova's C$205m (US$178.2m) equity issue.

Nova's 1988 acquisition of Polysar for nearly C$2bn was Mr Blair's most controversial move.

Later, Polysar's synthetic rubber business was sold to Bayer of Germany to reduce Nova's heavy debt.

Nova still has a total debt of C$3.5bn, and it has put its 43 per cent interest in Husky Oil, a western integrated company, up for sale.

The Husky interest is carried at C$614m.

Continental Airlines gains $120m finance

CONTINENTAL Airlines said it [illegible] approval to assume $120m in debtor-in-possession financing, Reuter reports.

The airline, which is operating under Chapter 11 bankruptcy protection, said the money will be used as a line of credit as it restructures.

The airline, which has operated under Chapter 11 protection since December, arranged the financing from Chase Manhattan Bank, Mellon Bank [illegible] and NMB Postbank Group of Amsterdam.

About $20m will go to refinancing short-term debt.

In court papers filed last week, Continental said the financing was divided into three groups. The first groups of [illegible] and $50m are immediately available to Continental.

INTERNATIONAL CAPITAL MARKETS

Steady gilt prices fuel rumours of tap by Bank

By Tracy Corrigan in London and George Graham in Paris

PRICES in the gilts market were steady yesterday, fuelling speculation that the Bank of England is likely to announce a gilt tap today.

"The market has been fairly firm for two to three days. Given the government's need for funding, there will be some surprise if there is no tap," one economist said.

The public sector borrowing requirement for this year is expected to exceed the government's £8bn forecast. Midland Montagu is predicting a £12bn public sector borrowing requirement, which implies a funding requirement of £1.5bn a month.

Dealers said that instead of one tap issue, there is some likelihood that the Bank could issue a series of tranches, over a range of maturities, since demand is not concentrated at any particular area of the yield curve. However, traders believe the Bank will avoid the 10-year area tapped at last week's auction, and may also steer clear of the long end of the market, if there are plans to launch a large, long-dated deal later in the year.

The long gilt future on the London International Financial Futures Exchange ended up ⅛ point at 91⅞.

■ With the US market closed yesterday for Independence Day, activity in Europe was generally subdued, with traders waiting for today's US employment data. In the German bund market, sentiment remained rather negative, with domestic supply overhanging the market. Attempts to break out of current range-trading failed, hampered by long positions among dealers.

The bund future on Liffe ended [illegible] down from Wednesday's close [illegible].

■ THE French government yesterday sold FFr7.35bn of bonds at its regular monthly auction, in the upper half of the FFr6bn to FFr8bn range it had fixed.

The auction means the government has raised FFr70bn at its bond auctions, out of a total bond issue target of FFr100bn for the full year.

Most of the auction was concentrated [illegible] the main 10-[illegible] tapstock, [illegible] per [illegible] 2001. The government accepted [illegible] for FFr4.45bn [illegible] a total [illegible] FFr14.1bn bid for, at a [illegible] price [illegible] 102.25. This [illegible] a weighted [illegible] yield of 9.12 per cent, 10 [illegible] points higher [illegible] at [illegible] tion.

This bond has [illegible] for more than half the money raised by the Trésor in bond auctions this year.

The rest of the bonds sold were from the OAT 8.5 per cent 2019, the French government's longest maturity bond. Bids were accepted for FFr2.9bn out of FFr6.45bn bid for, at a cut-off price of 92.7. This gave a weighted average yield of 9.22 per cent, 34 basis points higher than in May, the last time the 2019 bond was offered.

■ THE Japanese government bond market also traded in a narrow range, with the yield of [illegible] steady at 6.77 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA	[illegible]	11/01	[illegible]	-0.191	11.07	11.12	10.91
BELGIUM	10.000	08/00	103.0500	[illegible]	9.48	9.33	9.14
CANADA *	9.750	08/01	98.5750	[illegible]	[illegible]	10.12	9.71
DENMARK	9.000	11/00	[illegible]	[illegible]	9.30	9.26	[illegible]
FRANCE [illegible]	9.000	02/98	[illegible]	[illegible]	9.31	9.24	[illegible]
OAT	9.500	[illegible]	101.7700	[illegible]	[illegible]	9.08	9.00
GERMANY	8.375	05/01	98.0500	-0.030	8.52	8.40	[illegible]
ITALY	12.500	03/01	[illegible]	0.400	[illegible]	13.32	[illegible]
JAPAN [illegible] 119	4.800	[illegible]	87.6494	[illegible]	7.24	7.29	7.03
No [illegible]	6.400	03/00	[illegible]	-0.053	6.80	6.84	6.64
NETHERLANDS	8.500	03/01	[illegible]	-0.060	8.79	8.70	[illegible]
[illegible]	[illegible]	07/96	[illegible]	+0.050	[illegible]	[illegible]	[illegible]
UK GILTS	10.000	11/96	[illegible]	[illegible]	[illegible]	[illegible]	10.41
	10.000	[illegible]	98-04	[illegible]	10.31	10.60	10.52
	9.000	10/08	91-19	+09/32	[illegible]	[illegible]	10.22
US TREASURY *	8.000	05/01	[illegible]	[illegible]	8.25	8.31	8.14
	[illegible]	05/21	[illegible]	+00/32	[illegible]	8.49	8.33

London closing, *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Mexican stores group plans $150m offering

By Sara Webb

GRUPO Gigante, [illegible] Mexican supermarket and restaurant chain group, is making an initial public offering of $150m, equivalent to 10 per cent of the share capital.

Domestic investors will be offered shares worth $100m, and the remaining $50m will be offered internationally as American Depositary Shares (ADSs), with $30m available to US investors and $20m to European investors.

Of [illegible] $150m on offer, [illegible] will be new share capital, while [illegible] Losada family – which owns 98 per cent of the group – will [illegible] worth $75m. However, it is understood [illegible] if [illegible] is strong international demand for the [illegible] the Losada family may be willing [illegible] reduce [illegible] shareholding in the group still further.

The [illegible] will [illegible] to [illegible] short-term debt as well [illegible] to [illegible] in [illegible] Gigante [illegible] restaurants, computer systems and point-of-sale equipment.

Inverlat, [illegible] Mexican investment bank, [illegible] manager in [illegible] domestic issue, while Bear, [illegible] is co-manager in [illegible] J. Henry Schroder [illegible] co-manager in Europe. Grupo Gigante, the holding company, will be [illegible] in Mexico. Its operating subsidiaries include Gigante, a leading supermarket chain [illegible] Mexico, and Cafeterias Toks, a restaurant chain. It is also involved in [illegible] development and management.

The company was [illegible] up [illegible] 1962 by Mr Angel Losada Gomez, and has expanded through acquisitions and new store openings throughout Mexico. In the financial year to March 31 1991, Grupo Gigante made a [illegible] profit [illegible] 224.4bn pesos on sales [illegible] 4,558bn pesos, with the supermarket business generating 97 per cent of the group's sales.

Jardine Fleming sets up open-type Asian fund

JARDINE Fleming Investment Management plans to set up and manage an open-type [illegible] fund for Asian stocks, including those in Hong Kong and Singapore, Reuter reports from Hong Kong.

The company said the fund, which will initially manage Y5bn to Y30bn, will be open for subscription from July 8-17 and begin operation on July 19, an official said.

The fund is subject [illegible] approval by the Ministry of Finance.

Jardine Fleming is a unit of Jardine Fleming Holdings which is 50 per cent owned by Jardine Matheson Holdings.

Nomura Securities will market the new fund, the first time the Japanese broker has agreed to market a foreign in[illegible]ent manager's fund, the officials said.

[illegible] fund is the second open-type investment fund formed by a foreign investment management company in Japan, following W[illegible] Investment Trust Management which received "approval for its fund [illegible] 28.

Sanwa to [illegible] up Paris brokerage

SANWA Bank [illegible] Japan is planning to establish a brokerage subsidiary in Paris by the end of the year, Reuter reports from Paris.

Sanwa said the bank wants to take advantage of increasing liberalisation in the French financial markets.

It also wants to take advantage of the unification of the European Community in 1992.

It is understood that Sumitomo Bank also plans to establish a securities subsidiary in Paris within the year.

Both Sanwa and Sumitomo currently have securities subsidiaries in the UK and Germany.

Venezuelan debt swap for project investment

By Damian Fraser in Caracas

A GROUP of US and European banks have swapped $295m of Venezuelan debt for a $243m direct investment in two Venezuelan petrochemical "mega-projects", making the deal Venezuela's first debt-for-equity swap since it reached an accord with creditors in July 1990.

The two [illegible] represent some [illegible] per cent [illegible] debt con[illegible] that the government has approved in petrochemi[illegible]. In all, the government has authorised nine petrochemical megaprojects worth $2.6bn, with conversions allowed [illegible] account for $611m of the financing.

In the first swap, Citibank with Dresdner Bank Luxembourg, Swiss Bank Corporation, and Continental Bank of the US exchanged Venezuelan debt [illegible] an $128.4m investment in the Olefinas del Zulia project. This petrochemicals plant, which should cost $428m to construct, will produce 350,000 tons of ethylene, and 130,000 tons of propylene, a year.

In the second swap, Citibank, Deutsch Sudamerikanische Bank, and Bayerischer Vereinsbank, invested $115m in a $392m plant that will pro[illegible] vinyl, caustic soda and chlorine.

In addition to the petrochemicals plants, the Venezuelan government has authorised debt-conversions for big projects in mineral extraction, aluminium, tourism, paper and pulp, and infrastructure.

Although the government is still negotiating with the International Monetary Fund on the exact number of projects to be financed, Citibank reckons that total value will be around $4bn to $6bn, with debt conversions financing a third of this.

Fourth Mexican state-owned bank to be sold

By Rebecca Doulton in [illegible] City

MEXICO is to put Banamex, the country's largest banking institution with 721 branches and 31,600 employees, up for sale.

It is the fourth Mexican bank to be privatised, and has total assets of $26bn and a net worth of $1.8bn.

The federal government will sell 505m shares which will be split into two packets: 31 per cent of the A series shares will be auctioned and 20 per cent will be offered to the bank's regional boards.

Those acquiring the first tranche of A shares will be given preference in acquiring part of a B series of shares.

Banamex's stock market value is around $2.5bn.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on July 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		7.85
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]		8.46
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]		8.61
BANK OF TOKYO 8 3/8 96	100	98⅛	[illegible]		[illegible]
BELGIUM 9 1/8 92	400	101¼	[illegible]	-⅛	7.50
BFCE 7 3/4 97	150	97⅝	98⅛	+⅛	8.22
BNP 8 5/8 94	300	101⅜	101⅞	+⅛	8.05
BP CAPITAL 9 5/8 93	150	102⅝	103⅛	+⅛	7.77
CANADA 9 96	1000	102⅞	[illegible]		8.21
CARCO 9 1/4 96	650	[illegible]	[illegible]	-⅛	9.27
CCCE 9 1/4 95	300	103⅛	[illegible]	+⅛	8.16
COUNCIL EUROPE 8 96	100	98⅞	99⅜		8.37
CREDIT FONCIER 9 1/2 99	300	103⅝	104⅛	+⅛	8.83
DENMARK 0 98	250	[illegible]	[illegible]	-⅛	8.94
DENMARK 8 1/4 94	150	[illegible]	101⅛		7.96
ECSC 8 1/4 96	193	100	100⅛	+⅛	8.23
EEC 7 1/4 93	250	99⅝	100		7.48
EIB 7 3/4 96	250	98	98⅜		8.25
EIB 9 1/4 97	1000	102½	102⅞		8.70
ELEC DE FRANCE 9 98	200	101⅝	102⅛	+⅛	8.60
EUROFIMA 9 1/4 96	100	101⅞	102⅜	-⅛	8.76
EXPORT DEV CORP 9 1/2 98	150	103¾	104⅛	+⅛	8.76
FINLAND 7 7/8 97	200	96½	97⅛	+⅛	8.67
FINNISH EXPORT 9 3/8 95	200	103¼	103⅝		8.42
FORD MOTOR CREDIT 9 1/2 93	300	102⅜	102⅞		8.29
GEN ELEC CAPITAL 9 3/8 96	300	103¼	103⅝	-⅛	8.56
GMAC 9 1/8 96	200	100⅛	100⅝		9.07
HALIFAX 9 1/2 93	300	102½	102⅞	-⅛	8.28
IBM WORLD TRADE 7 5/8 93	150	99⅛	[illegible]	+⅛	7.77
IND BK JAPAN FIN 7 7/8 97	200	96	[illegible]		8.77
INTER AMER DEV 7 5/8 96	300	96⅛	[illegible]		8.48
ITALY 8 1/2 94	1500	101⅝	[illegible]	+⅛	7.99
JAPAN DEV BK 8 94	150	100⅛	[illegible]		7.89
KANSAI ELEC PWR 10 96	350	104⅛	[illegible]	-⅛	8.84
LTCB 8 5/8 93	150	101⅛	[illegible]		7.84
NEW ZEALAND 8 93	100	100⅛	[illegible]	-⅛	7.85
NIPPON CRED BK 9 3/4 93	150	103¼	[illegible]		8.09
NIPPON TEL & TEL 9 3/8 95	200	103⅛	[illegible]		8.24
NORDIC INV BANK 9 93	200	102½	[illegible]		7.60
ONTARIO HYDRO 11 5/8 94	200	107½	[illegible]	-⅛	8.25
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101⅛	-⅛	7.52
PETRO-CANADA 7 1/4 96	200	94⅞	95⅛		8.57
PRUDENTIAL RLTY SECS 0 99	365.216	50⅞	51⅛		9.39
QUEBEC HYDRO 9 3/4 98	150	[illegible]	103⅛	+⅛	9.15
QUEBEC PROV 9 98	200	99½	100	+⅛	9.09
SAINSBURY 9 1/8 96	150	101⅛	102⅛	+⅛	8.68
SAS 10 99	200	99⅛	[illegible]	+⅛	10.08
SBAB 9 1/2 95	500	[illegible]	103⅛		8.40
STATE BK STH AUST 9 1/4 93	100	[illegible]	102⅛	-⅛	7.98
SUMITOMO BK CAP MKT 9 3/8 93	150	[illegible]	103	-⅛	8.14
SWEDEN 8 1/8 94	150	[illegible]	101		[illegible]
SWEDISH EXPORT 9 5/8 93	100	[illegible]	103½		[illegible]
TOKYO METROPOLIS 8 1/4 96	200	[illegible]	99⅝		[illegible]
WORLD BANK 8 3/8 99	1500	[illegible]	99⅝		8.75
WORLD BANK 8 3/4 97	1500	[illegible]	102	+⅛	[illegible]
XEROX CORPN 8 3/8 96	100	[illegible]	[illegible]	+1⅛	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89⅛	89⅝	+⅛	8.25
DEUTSCHE FINANCE 7 1/2 95	1000	97⅛	97⅝	+⅛	8.27
EEC 5 3/8 93	300	95⅛	95⅝	+1⅛	8.95
EIB 5 3/4 98	400	85⅞	85⅞	+⅛	8.59
EIB 6 7/8 95	300	94⅛	94⅝	+⅛	8.49
EUROFIMA 6 1/4 98	400	87⅛	87⅝		8.75
FERRO DEL STAT 5 3/8 93	500	95	95		8.97
IND BK JAPAN FIN 5 5/8 96	200	88	88	+⅛	8.78
IND DEV BK INDIA 6 3/8 99	200	89	89	+⅛	10.28
INTER AMER DEV 7 1/4 99	300	92⅛	92⅝		8.54
LUFTHANSA INT FIN 5 7/8 98	500	86⅛	86⅝	-⅛	8.65
MET EST & PROP INTL 7 99	150	87	87	+⅛	9.40
NAT BK HUNGARY 8 96	200	92	92	+⅛	9.98
QUEBEC HYDRO 6 3/4 99	300	88⅝	88⅞		8.78
SWEDEN 6 1/8 98	300	88⅛	88⅝		8.49
VENEZUELA 8 1/4 93	100	97½	97⅞	+⅛	9.44
WORLD BANK 0 15	2000	16	16		7.78
WORLD BANK 5 3/4 96	300	87[illegible]	87½	-1⅛	9.20
WORLD BANK 7 1/8 95	500	94[illegible]	95⅛	-1⅛	8.85

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	94⅛	94⅝	-⅛	[illegible]
AUSTRIA 4 5/8 98	100	90⅛	91	+⅛	6.43
CHUJITSUYA 7 3/4 95	50	101	102		7.45
COUNCIL EUROPE 4 3/4 98	250	90	90½		6.66
EEC 5 1/2 00	100	92	92½		6.67
EIB 5 3/4 93	100	97½	98		6.93
ELEC DE FRANCE 7 1/4 06	100	104½	105		6.75
FINLAND 5 3/8 95	150	96	97		6.45
GENERAL MOTORS 7 1/2 95	100	101½	102		7.02
JAPAN DEV BK 5 1/2 94	100	96⅛	97⅛	-1	6.89
NEW ZEALAND 4 7/8 99	200	88⅛	89	-⅛	6.91
QUEBEC HYDRO 5 08	100	79	81		7.20
SKANDINAVISKA ENSK 6 1/2 95	100	100	100½	+½	6.48
WORLD BANK 5 03	150	86	87		6.73
WORLD BANK 7 1/4 92	100	100	101	-½	7.24

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		7.24
CANADA 4 3/8 92	80000	97⅛	97⅝		7.54
CREDIT FONCIER 5 1/4 94	20000	93⅞	94⅛		7.30
DENMARK 7 95	40000	99⅝	100	+⅛	7.06
EIB 4 5/8 94	40000	93⅛	94	+⅛	7.13
GENERAL ELECTRIC 5 3/4 93	35000	97	97½		7.63
INTER AMER DEV 7 1/4 00	30000	101⅛	101⅝		7.03
ITALY 5 3/4 92	150000	99⅛	99⅝		7.16
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	93½		7.35
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95⅝		7.01
NORWAY 5 1/8 95	50000	93⅞	94	+⅛	7.07
SWEDEN 5 5/8 95	20000	94⅛	95⅛	+⅛	7.10
WORLD BANK 6 3/4 00	50000	98⅞	99⅛		6.92

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE [illegible] INT 7 94 LFr	600	94⅛	95⅛		9.25
KREDIETCORP [illegible]	1000	96	97		9.17
WORLD BANK [illegible] LFr	1000	96⅛	97⅛		8.85
AMRO BANK 6 1/4 92 Fl	150	96⅛	97⅛		9.56
RABOBANK 5 3/4 93 Fl	150	94⅛	95⅛		9.45
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝		9.72
BCE INC 9 5/8 93 C$	300	99	99⅝	+⅛	10.21
BELL CANADA 10 5/8 99 C$	150	97⅞	98⅝	+⅛	11.03
BRITISH COL[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.04
EIB 10 1/8 9[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.42
FORD CREDIT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.67
GENERAL EL[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
MONTREAL [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.55
ONTARIO HY[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.95
QUEBEC PRO[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.06
ROYAL TRUS[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.76
SWEDEN 9 3[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.71
BELGIUM 9 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20
CNT 7 3/8 95 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.48
CREDIT LYON[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.90
DENMARK 7 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.92
EEC 7 5/8 94 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.31
EIB 10 97 Ec[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.81
ITALY 10 3/4 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.34
UNITED KING[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.17
BMW FINAN[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.06
COUNCIL EU[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.01
EKSPORTFIN[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.42
FORD CRED A[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.71
ICI 15 1/2 92 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.89
MCDONALDS [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NAT AUSTRA[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STATE BK NS[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
VOLKSWAGE[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ABBEY NATI[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BARCLAYS [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH GAS [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE B[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10 97 £ [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FORD CREDIT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTER AMER [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY 10 1/2 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LAND SECS 9 1/2 07 £	200	81⅛	81⅝	+⅛	[illegible]
LEEDS PERMANENT 9 1/4 93 £	50	96⅛	97⅛	+⅛	[illegible]
NORWAY 10 1/2 94 £	200	99½	99⅞	+⅛	[illegible]
ROLLS-ROYCE 9 5/8 95 £	150	96⅛	97⅛	+⅛	[illegible]
SAINSBURY 10 7/8 07 £	100	99⅛	100		[illegible]
SKANDINAVISKA ENSK 13 1/8 95 £	100	105	105⅛	+⅛	[illegible]
WORLD BANK 11 1/4 95 £	[illegible]	101⅛	102		[illegible]
ABBEY NATIONAL 0 96 NZ$	[illegible]	58	59		[illegible]
TELECOM NZ O/S FIN 13 1/8 93 NZ$	[illegible]	104⅛	105⅛		[illegible]
AIDC 7 7/8 93 FFr	[illegible]	96⅛	97½	-⅛	[illegible]
CREDIT LYONNAIS 10 95 FFr	[illegible]	101⅛	101½		[illegible]
EURATOM 7 5/8 98 FFr	[illegible]	91⅛	92⅛	-⅛	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.94	100.04	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.50	99.60	11.9550
BANCO ROMA 0.03 01	200	92.25	93.25	6.4675
BANCO SANTO SPIRITO 93	200	99.52	99.65	6.5000
BELGIUM 1/16 97 DM	500	99.93	100.08	9.1250
BFCE -0.02 96	350	99.82	99.92	6.1050
BNP 05	300	96.00	97.00	6.4375
BRITANNIA 1/10 96 £	150	99.09	99.29	11.9750
CCCE 06 ECU	200	99.79	99.89	9.5938
CITIZENS FED 0.15 96	100	99.45	99.85	7.0250
COMMERZBK O/S FIN 93	200	99.88	99.98	6.5625
DENMARK -1/8 96	1000	99.56	99.66	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.88	99.98	9.2656
ELEC DE FRANCE 1/8 99	400	100.44	100.79	7.0000
FERRO DEL STAT 94	200	100.48	100.73	6.8750
HALIFAX 1/10 94 £	200	[illegible]	99.90	11.7250
HILL SAMUEL 1/4 PERP	75	84.00	86.50	6.4375
MITSUI FIN ASIA 1/8 96	100	99.67	99.77	7.0000
MORGAN (JP) 1/4 97	250	98.50	99.38	6.2500
NAT WEST FIN 3/16 05	400	92.75	93.75	6.5000
NEW ZEALAND 93	500	99.79	99.89	6.5000
QUEBEC PROV 01	300	96.29	96.54	6.1250
RENFE 98	500	99.87	99.97	6.0625
SOCIETE GENERALE 96	300	99.09	99.19	6.3125
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.99	100.02	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	114⅛	115⅛	+11.64
ASDA-MFI 4 3/4 02 £	100	1.64	117⅛	118⅛	
BURTON GROUP 4 3/4 01 £	110	3.15	118	119⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	94⅞	95⅞	+23.26
GOLD KALGOORLIE 7 1/2 00	65	1.0554	69½	70½	+46.84
GOODYEAR TIRE 6 7/8 03	150	80⅛	72⅞	73⅞	+73.38
GRACE (WR) 6 1/4 02	150	42⅛	90⅛	91⅛	+15.05
HANSON 9 1/2 06 £	500	2.5875	[illegible]	97⅛	+22.06
HAWLEY 6 02 PREF	400	19.1	83	85	
HILLSDOWN 4 1/2 02 £	150	4.16	110	111⅛	
INTL PAPER 5 3/4 02	200	68⅛	106⅛	107⅛	+1.74
LAND SECS 6 3/4 02 £	84	6.72	83⅛	84⅛	+18.70
MITSUBISHI BK 2 3/4 02	300	2727.1	99⅛	101⅛	-2.74
OGDEN 6 02	85	39.077	69⅛	70⅛	+41.75
PACIFIC DUNLOP 6 3/4 97	75	3.749	107⅛	108⅛	-0.91
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	83⅛	84⅛	+[illegible]
THORN EMI 5 3/4 04 £	103	7.45	111⅛	112⅛	+14.70

* No [illegible] available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless [illegible] indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise [illegible]. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International [illegible] Dealers.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 05.07.91: Pool purchase price £/MWh	Final Prices for Trading on 07.06.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.85	18.38	19.52
0100	15.95	18.36	19.52
0130	15.95	18.38	19.52
0200	15.95	18.38	19.52
[illegible]	15.95	18.38	19.52
[illegible]	15.85	16.30	16.30
[illegible]	15.95	16.25	16.25
[illegible]	15.95	16.25	16.25
[illegible]	15.95	16.25	16.25
[illegible]	15.95	16.35	16.25
[illegible]	15.95	16.17	16.17
[illegible]	15.95	16.10	16.10
[illegible]	15.95	16.20	16.20
[illegible]	17.97	16.62	16.62
0730	18.38	19.21	20.39
0800	20.92	19.31	20.50
0830	21.06	20.35	21.61
0900	21.13	20.96	22.40
0930	21.20	22.48	24.09
1000	21.24	22.85	24.57
1030	21.25	22.85	24.58
1100	21.27	22.78	24.47
[illegible]	21[illegible]	22.90	24.82
1200	21[illegible]	23.04	24.79
1230	21[illegible]	22.73	24.39
1300	21[illegible]	22.13	23.65
[illegible]	21[illegible]	20.55	21.87
1400	21[illegible]	20.26	21.49
[illegible]	21[illegible]	21.02	22.25
[illegible]	21[illegible]	21.00	22.22
1530	21[illegible]	21.00	22.21
1600	20[illegible]	21.00	22.20
[illegible]	20[illegible]	21.00	22.21
1700	20[illegible]	21.01	22.22
[illegible]	[illegible]	21.00	22.22
[illegible]	[illegible]	20.99	22.22
[illegible]	[illegible]	19.21	20.39
[illegible]	[illegible]	19.21	20.39
[illegible]	[illegible]	19.21	20.39
2000	[illegible]	18.70	19.87
2030	18.11	18.61	19.78
[illegible]	17.97	18.61	19.78
2130	17.97	18.61	19.78
2200	17.97	20.98	22.21
2230	20.12	20.98	22.21
[illegible]	20.12	18.61	19.78
2330	19.50	18.53	19.71
2400	17.94	18.05	19.22

Prices [illegible] determined for every half-hour in each [illegible] hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be [illegible] one place to the left, eg £16.66/MWh [illegible] 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

LEGAL NOTICES

NEWLANDS HOTEL LIMITED T/A LANCASTER GATE HOTEL
IN ADMINISTRATIVE RECEIVERSHIP
REGISTERED NUMBER: 737466

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986, that a general meeting of the unsecured creditors of the above-named company will be held at Lancaster Gate Hotel, 106 Lancaster Gate, London W2 3NU on Friday, 19 July 1991 at 10.00 hrs for the purpose of having a report laid before the meeting and of hearing any explanation that may be given by the Administrative Receivers. Creditors whose claims are wholly secured are not entitled to attend or be represented.

A form of proxy must be completed in accor[illegible] guidance notes provided thereon [illegible] Hayward, 8 Baker Street, London W1M 1DA not later that 12.00 hrs on Thursday, 18 July 1991.

Please note that a creditor is entitled to vote only if he has delivered to the Administrative Receivers not later than 12.00 hrs on Thursday, 18 July 1991 details in writing of the debt claimed to be due from the company, and the claim has been duly admitted under the provisions of The Insolvency Rules 1986 and there has been lodged with the Administrative Receivers any proxy which the creditor intends to be used on his behalf.

Dated: 14 June 1991
PR COPP
Joint Administrative Receiver

PERSONAL

NOTICE OF REDEMPTION

MORGAN GUARANTY GmbH
(now [illegible] Morgan GmbH)

Floating Rate Participation Certificates Due 1992

issued for the purpose of making a [illegible]

ISVEIMER

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Paying Agency Agreement and the Terms and Conditions of the Certificates, Morgan Guaranty Trust Company of New York, as Principal Paying Agent, has selected $14,290,000 principal amount of said Certificates for redemption on July 31, 1991 at the redemption price of 100% of the principal amount thereof. The Certificates so selected are those bearing the serial numbers as [illegible]

ALL OUTSTANDING CERTIFICATES WITH SERIAL NUMBERS ENDING WITH ANY OF THE FOLLOWING TWO DIGITS

[illegible] 02 04 05 08 18 21 22 23 26 32 33 36 37 39 45 47 48 52 60 64 [illegible] 70 73 [illegible]

ALL [illegible] WITH THE FOLLOWING SERIAL NUMBERS

93 293 392 393 492 592 593 693 792 793 892 993 1093 1192 1193 [illegible] 1293 1492 1593 1792 1893 1992 1993 2092 2093 2393 2493 2593 2693 2993 3093 3192 3393 3492 3692 3893 3893 4092 4093 4392 4393 4493 4692 4792 4793 4893 5093 5193 5292 [illegible] 5792 5793 5892 5993 6093 6293 6393 6593 6693 6792 6793 6893 6992 6993 7293 7393 7592 7593 7792 7793 7992 7993 8093 8393 8493 8592 8593 8892 8893 9093 9192 9193 9392 9492 9493 9793 9892 9893

On July 31, 1991, the Certificates designated above will become due and payable at the redemption price as aforesaid in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, and will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to appl[illegible] laws and regulations, at the main office of Morgan Guaranty Trust Company [illegible] New York in Brussels, Frankfurt/Main or London, or the main office of Swiss Bank Corporation in Switzerland, or the main office of Banque Internationale à Luxembourg in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by cheque drawn on, or transfer to a United States dollar account with, a bank in New York City. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting [illegible] United States Internal Revenue Service (IRS) and to backup withholding at a rate of [illegible] if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the Paying Agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty [illegible]$50.

Coupons due July 1991 should be detached and collected in the usual manner.

From and after July 31, 1991, interest shall cease to accrue on the Certificates herein designated for redemption.

Dated: July [illegible]

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Principal Paying Agent

Finnish Export Credit Ltd

A$30,000,000
26 per cent. Variable Redemption [illegible]
due 10th July, 1991

Pursuant to Condition 3(c) of the terms and [illegible] (the "Notes"), Westpac Banking Corporation, [illegible] Agent, has [illegible] that [illegible] Redemption Amount [illegible] for [illegible] of [illegible] as [illegible]

A$ 1,000 = A$ 1,000 Redemption Amount
A$10,000 = [illegible] Redemption Amount

The aggregate of the Redemption Amounts will be payable on [illegible], 10th July, 1991.

5th July, [illegible]

Toray Industries, Inc.
(formerly Toyo Rayon Kabushiki Kaisha)

S.G. Warburg & Co. Ltd. announce that a dividend [illegible] 3.50 per share has been paid to shareholders on the books of the above Company as at 31st March, 1991 in respect of the six month period ended on that date.

Holders of Bearer Depositary Receipts issued by S.G. Warburg [illegible] Co. Ltd. may present Coupon No. 17 for payment at:–

S.G. Warburg [illegible] Co. Ltd., Paying Agency, 2 Finsbury Avenue, London [illegible]

Banque Internationale à Luxembourg, [illegible] Royal, Luxembourg

Payment will [illegible] subject to deduction of Japanese Withholding [illegible] in London, [illegible] Kingdom Tax (where applicable) [illegible] appropriate [illegible] of tax deduction can [illegible] from the Paying Agents.

5th July, [illegible]

FIDELITY [illegible] EAST FUND
SOCIETE D'INVESTISSEMENT A CAPITAL VARIABLE
33, BOULEVARD PRINCE HENRI
B.P.403 L-2014 LUXEMBOURG
DIVIDEND NOTICE

At [illegible] Annual General Meeting held on June 25, 1991, it was decided to [illegible] a dividend of [illegible] (cents) per [illegible] July [illegible] to [illegible] of record [illegible] July 1, 1991 and to holders [illegible] upon presentation of coupon [illegible] 12.

Paying Agents: KREDIETBANK S.A. [illegible]
[illegible] Royal
L-2955 [illegible]

BROWN [illegible] HARRIMAN (LUXEMBOURG) S.A.
33, Boulevard Prince Henri
B.P. 403
L-2014 LUXEMBOURG

U.S. $100,000,000

BIL

Brierley Investments Overseas N.V.
(Incorporated [illegible] liability in [illegible])
Floating Rate Notes Due 1992
all unconditionally and irrevocably guaranteed by
Brierley Investments Limited
(Incorporated with [illegible] liability in [illegible])

In accordance with the terms and conditions of the Notes, notice is hereby given, that for the interest period from July 8, 1991 to October 8, 1991 the Notes will carry an interest rate of [illegible] per annum. The amount payable on October [illegible] will be U.S. [illegible] per U.S. $10,000 principal amount [illegible]

[illegible] The Chase Manhattan Bank, [illegible]
London, Agent Bank

CHASE

July 5, 1991

GLOBAL GOVERNMENT PLUS FUND LIMITED

International Depositary Receipt issued by Morgan Guaranty Trust Company of New York

OFFER TO PURCHASE

June 26th, 1991 - Bermuda - Global Government Plus Limited today announced that it will pay US$ 7.2527 for each common share validly tendered pursuant to the offer made by Global on May 6th, 1991 to purchase up to 25% of its issued and outstanding common shares. The purchase price represents the net asset value per share of Global Government Plus Fund Limited as at June 19th, 1991. Payment of the purchase price shall be made in accordance with the terms and subject to the conditions of the offer.

Depositary: Morgan Guaranty Company of New York
35, Avenue des Arts
1040 Brussels

JP Morgan

GLOBAL GOVERNMENT PLUS FUND LIMITED

International [illegible] issued by Morgan Guaranty Trust Company

OFFER TO PURCHASE

At its Board of Directors' Meeting held on June 7th, 1991, Global Government Plus Fund Limited announces that a total of 806.335 common shares, representing approximately 12.23% of its then outstanding shares, has been tendered pursuant to the offer which expired on May 27th, 1991 [illegible] purchase up to 25 [illegible] of its outstanding common shares.

The company has subsequently been advised that 840.587 common shares were in fact tendered pursuant to this offer representing 12.75% of its then outstanding shares.

Payment of the purchase price for the [illegible] shares repurchased by the Company was made on June 28th, 1991.

Depositary: Morgan Guaranty Trust Company of New York
35, Avenue des Arts, 1040 Brussels

J P Morgan

Warm reception for AMP 10-year sterling issue

By Simon London

AMP, the UK arm of the largest Australian insurance company Australian Mutual Provident Society, yesterday launched its second sterling bond issue since buying Pearl Assurance for £1.25bn in 1989.

It launched a £100m 10-year issue, lead managed by Credit Suisse First Boston, priced to yield 95 basis points over the 10 per cent UK government bond maturing 2001.

Demand from UK investment institutions and a range of overseas buyers caused the paper to trade up from a fixed re-offer price of 99.32 to 99.70 bid by late afternoon. At this level, the yield spread over gilts is 92 basis points.

Some participants in the deal commented that the yield spread was generous and that the deal could have been priced at a yield spread of around 90 basis points.

However, AMP's debut £150m long-dated sterling bond issue last November was initially hard to place with UK institutions. That transaction was priced to yield 170 basis points over gilts, but the spread had widened to 200 basis points by early this year. The borrower wanted to ensure smooth placement for yesterday's deal.

The hostile acquisition of Pearl was financed with credit

INTERNATIONAL BONDS

facilities of £525m and £265m arranged through Lloyds Bank and Chase Manhattan. Proceeds of both bond issues were used in part to repay these.

Syndicate managers expect AMP to tap the sterling bond market regularly, to pay down acquisition finance and fund its UK insurance.

Both issues are rated Aa2/AA by the main US rating agencies on the basis of a keep-well agreement with the Australian parent company. Under the agreement the parent guarantees to maintain the positive net worth of the issuing company.

The performance of yesterday's deal, and the favourable reception for the African Development Bank's £100m 10-year issue launched via Baring Securities on Tuesday, suggest demand for sterling-denominated securities is buoyant.

However, there are few opportunities for borrowers to swap the proceeds of sterling bond issues into other currencies. Hence sterling issuance is only attractive for borrowers with a natural requirement for sterling funding.

Elsewhere, Eurofima, the railway financing agency of the European community, launched a C$225m 10-year issue – also lead managed by CSFB. The bonds carry a coupon of 10¾ per cent and were re-offered to investors at a fixed price of 100⅛, for a yield spread of 49 basis points over the 9¾ per cent Canadian government bond maturing 2001.

Despite the weight of Canadian dollar paper issued in the market this year, there have been few top-quality sovereign and supranational borrowers at the 10-year maturity.

In addition, swaps opportunities are better in Canadian dollars than in other sectors of the market. Eurofima used the swaps markets to achieve floating-rate Swiss franc funding below the London interbank offered rate.

The deal saw strong demand from continental European fund managers and traded above the fixed reoffer price at 100.25 bid, where the spread over Canadian governm[illegible] bonds was 46 basis points.

● Crédit Lyonnais and Security Pacific have had long-term credit rating placed under review for downgrade by Moody's Investors Service, the US credit rating agency. Crédit Lyonnais is currently rated Aa2, and Security Pacific A3.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Eurofima(a)†	225	10¾	101.675	2001	1⅝/1.675	CSFB
STERLING						
AMP (UK)(a)†	100	11½	99.32	2001	0.40/0.20	CSFB
SWISS FRANCS						
Funai Consulting(b)★★§	60	4	100	1995	-	SBC
LIRE						
A/S Eksportfinans(a)†	150bn	12¼	101.675	1996	1⅝/1.725	Bca.Naz.d'Lavoro
SWEDISH KRONOR						
Dresdner Finance BV(c)†	400	11	101⅞	1996	1⅝/1⅛	Dresdner Bank

★★Private placement. §Convertible. †Final terms. a) Non-callable. b) Put option on 30/09/94 at 108¾% to yield [illegible] Coupon payable semi-annually. c) Amount increased from SKr300m. Non-callable.

Westpac PNG bank purchase blocked

PAPUA New Guinea yesterday blocked the acquisition by Westpac Banking Corporation of the Bank of South Pacific, an 87 per cent subsidiary of National Australia Bank, writes Kevin Brown in Sydney.

Mr Paul P[illegible], Papua New Guinea's finance minister, said he would not allow the deal after consulting the Bank of Papua New Guinea, the country's central bank. He said his opposition was based on economic, financial and monetary grounds.

The Bank of South Pacific has seven branches and four sub-branches in Papua New Guinea, a former Australia colony which won independence in 1975.

A merger with Westpac, Australia's largest bank, would significantly reduce competition [illegible] country.

Elsag-Bailey flotation closes ahead of schedule

By Haig Simonian in Milan

ELSAG-Bailey, Italy's first stock exchange flotation under new rules designed to bring market practice into line with other leading bourses closed ahead of schedule yesterday due to strong demand. Under the new procedures, introduced earlier this year by Consob, the regulatory watchdog, issuers and lead managers in an initial public offering (Ipo) have to give Consob relevant information regarding the deal within 10 days of payment being due.

Once received, Consob will endeavour to accelerate the date for the first official listing. That could be within two to three days of it being given the information by the issuer and lead manager.

In the case of the Ipo for Elsag-Bailey, a technology company which is part of the state-owned Finmeccanica group, listing on the official market should come within seven days of next week's payment date, according to Istituto Bancario San Paolo di Torino, the lead manager.

The offer period for the new shares and warrants was closed ahead of schedule yesterday following strong demand, the bank said.

The Elsag-Bailey deal is also set to be the first Ipo where shares will be listed directly on the official market, rather than being traded initially on the unregulated third market before gaining their official quotation.

The previous procedure stemmed from the fact that no time limit existed between the payment date for a new issue and delivery of the relevant information to Consob.

As a result, shares from a new issue could spend weeks on the third market before gaining their official listing. Shares in Intermobiliare, Italy's second Ipo this year, only moved on to the official market on 1 July, although payment closed in early May. Meanwhile shar[illegible] the property group Gi[illegible] the year's first Ipo, are st[illegible]ng traded only on the [illegible] market, despite the fact that payment closed in April.

Keeping a steady hand on the tiller

David Marsh on the end of east Germany's communist bank system

MR Walter Krüger, chairman of the Staatsbank Berlin, the former East German central bank, is carrying out a job of unique complexity from what must be one of Europe's most agreeable banking offices.

His task is to provide a steady hand on the tiller as the Staatsbank undergoes a delicate post-unity transformation with the aid of a large-scale capital market borrowing programme. Previously at the hub of the centralised communist banking system, the Staatsbank is now actively helping to run it down while minimising the cost to German taxpayers.

Mr Krüger sits in a high-ceilinged parlour on the first floor of the Staatsbank in the centre of east Berlin. Outside the window, across the street, rise the classical 18th century lines of the city's celebrated rebuilt French Church – a far more pleasant view than that enjoyed by the president of the Bundesbank president, from his 12th floor headquarters in Frankfurt.

From his office, occupied up to last spring by Mr Horst Kaminsky, the shadowy former head of the Staatsbank, Mr Krüger has presided over the launching of more than DM30bn worth of capital market borrowing since German monetary union in July 1990.

The funding, most of it in the form of relatively short-term floating-rate notes of up to five years maturity, has been eagerly absorbed by German and foreign banks anxious to build up their portfolios of more innovative D-Mark financing instruments.

The heavy borrowing has been necessary to restructure almost totally the liabilities side of the Staatsbank's DM145bn balance sheet. The bank has suffered a sharp fall in the previously obligatory deposits of the East German state savings bank system.

But on the assets side of its balance sheet, it still holds more than DM100bn worth of claims on east German banks, mostly representing loans to troubled east German industrial companies and public house-building programmes.

> **Mr Kruger says without unnecessary pathos that he accepted the Finance Ministry's request to take over because he thought it was in his country's interest.**

The funding gap has been made up by the stream of floating-rate issues, as well as other German money-market borrowing.

The complexity of the overall balance sheet structure of the east German banking system results partly from the Byzantine complications inherited from communism. But it also reflects the desire of the Bonn Finance Ministry to maintain a buffer for banks from the threat of large losses from non-performing loans to moribund east German industry.

To give some protection to heavily over-borrowed creditors, the east German banks' loans to industry were converted in last July's currency union on the basis of DM1 for 2 East German Marks. This represented a lower East German Mark conversion rate than for the savings deposits, which were switched at a mixture of 1 for 1 and 1 for 2. None the less, the dire financial state of east German companies, and the only sluggish pace of privatisation, makes it likely that a large part of the loans will have to be written off. Whatever happens, says Mr Kruger, "The banks are safe".

The bill will be met by the Treuhand, the German public sector holding company, and by the state-run Equalisation Fund. This latter financing vehicle was set up last year to take over the more than DM30bn of net liabilities left uncovered in last July's asymmetrical D-Mark-East German Mark conversion.

Mr Krüger 65, moved into the Staatsbank job after he retired last autumn from his long-standing post as chief executive of the Industriekreditbank of Düsseldorf, specialised in medium- and long-range lending to industrial companies. His job does not carry a salary. Mr Kruger says without unnecessary pathos that he accepted the Finance Ministry's request to take over because he thought it was in his country's interest.

With the exception of a stylish writing lectern brought from Düsseldorf, the furniture in Mr Krüger's office is unchanged from the undistinguished mock pine dear to East German bureaucracy.

Elsewhere, the bank is being thoroughly shaken up. Already, before currency union last year, the Staatsbank – which previously employed 15,000 people – hived off its once all-powerful commercial banking operations, transferring 13,000 jobs to the Deutsche Kreditbank. A further 800 people were taken over by the Bundesbank last July. Now, it employs 700 people. Ultimately, the workforce, partly because of a much-slimmed branch structure around east Germany, will be down to 400 people.

One asset is bound to increase in value. The Staatsbank sits in the former headquarters of the Berliner Handels-Gesellschaft, built up before the Second World War by the Fürstenberg banking family into one of Germany's top five commercial banks. The property is now owned by the German state. As Berlin reassumes its role as the German capital the building on the Französische Strasse will be one of east Germany's prime pieces of real estate – long after the creaking Stalinist banking system it once pinned together has ceased to exist.

Foreign shareholdings urged in NTT

By Emiko Terazono in Tokyo

THE Japanese Ministry of Posts and Telecommunications has received reports from a senior advisory council recommending foreign ownership of shares in Nippon Telegraph and Telephone, the nation's largest telecommunications company whose share price has fallen steeply over the past three years.

Foreign ownership has long been a controversial issue.

The US government has been applying pressure on Japan to allow ownership of NTT shares, but until now the Japanese government has resisted such a move on the grounds of national security reasons.

The report recommends that up to 20 per cent foreign ownership of the total outstanding shares be allowed.

The expected revision will broaden NTT's financial base and allow it to take a strategic stake in foreign companies. Fear that foreign countries could point to the closed ownership of NTT as a reason to resist its expansion has also prompted the review.

Once the recommendations are adopted by the ministry, legislative amendments of the Japanese telecommunications law is expected to be submitted during the next regular session of parliament held later this year.

The fall in NTT's stock price has also induced the Ministry of Finance's call for foreign ownership. NTT shares, listed in February 1987, has fallen almost to a quarter of their peak of Y3.18m.

The outstanding number of NTT shares total 15.6m, and a lift in the ban would allow foreigners to own 3.12m shares. Investors yesterday welcomed the advisory council's move, and NTT rose Y34,000 to Y879,000.

Paribas [illegible] call warrants

By Tracy Corrigan

PARIBAS has launched an issue of call warrants on the Ibex-35 index of Spanish stocks, the first to be approved by the Spanish authorities. The warrants, totalling $20m equivalent, are split into two tranches. The Series A warrants are at-the-money and the B warrants are out-of-the-money. The warrants are denominated in pesetas.

An official at Paribas reported demand from international fund managers seeking broad exposure to the market. Banco Centrale will act as a market-maker.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Thursday July 4 1991.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Jul 3 Index No.	Tue Jul 2 Index No.	Mon Jul 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (184)	799.20	+0.4	11.01	6.04	11.17	18.16	795.99	803.77	801.09	875.02
2	Building Materials (24)	1016.16	+0.6	10.11	6.14	12.36	30.46	1010.52	1020.47	1013.61	1107.22
3	Contracting, Construction (31)	1163.85	+0.7	9.85	6.70	13.36	31.87	1156.02	1164.19	1159.27	1427.03
4	Electricals (10)	2292.71	+1.2	11.46	5.84	11.12	61.85	2265.31	2269.22	2259.69	2473.11
5	Electronics (25)	1700.12	+0.5	8.87	5.29	14.99	10.13	1691.99	1720.36	1731.37	1806.62
[illegible]	Engineering-Aerospace (8)	403.85	-0.3	16.96	6.21	7.08	10.83	404.96	415.23	415.84	468.39
7	Engineering-General (46)	434.85	+0.5	12.68	5.86	9.61	9.92	432.56	437.53	435.43	490.04
8	Metals and Metal Forming (8)	432.58	+1.0	16.26	8.17	7.54	3.82	428.13	431.07	429.93	477.53
9	Motors (12)	302.35	-2.3	13.07	8.00	9.02	9.98	309.55	316.17	316.10	364.54
10	Other Industrial Materials (20)	1504.05	+0.6	9.33	5.34	12.61	34.85	1495.51	1499.29	1489.73	1565.24
21	CONSUMER GROUP (187)	1448.87	+0.8	8.15	3.75	15.10	22.68	1437.19	1440.92	1433.56	1295.54
22	Brewers and Distillers (22)	1764.63	+0.6	8.73	3.75	13.97	27.45	1754.77	1759.30	1758.21	1604.49
25	Food Manufacturing (19)	1178.21	+0.9	9.74	4.20	12.67	23.29	1167.27	1163.29	1151.08	1104.28
26	Food Retailing (17)	2636.05	+1.1	8.36	3.18	15.68	39.61	2607.47	2603.44	2591.75	2500.06
27	Health and Household (22)	3536.05	+1.0	5.41	2.44	21.10	30.21	3500.79	3522.53	3492.83	2532.00
29	Hotels and Leisure (23)	1201.33	+0.4	10.91	5.77	10.88	23.89	1197.07	1214.54	1222.50	1486.41
30	Media (26)	1354.34	-0.1	9.45	5.20	13.42	29.60	1356.19	1367.68	1361.53	0.00
31	Packaging, Paper & Printing (17)	689.48	+0.6	8.16	4.78	14.79	14.33	685.59	682.79	676.60	605.45
34	Stores (32)	885.98	+1.3	8.72	4.09	15.00	16.28	874.78	872.99	866.78	788.24
35	Textiles (9)	533.75	+0.7	9.78	5.81	12.57	13.79	530.10	525.92	531.97	496.17
40	OTHER GROUPS (109)	1206.52	+0.6	10.34	5.31	11.91	21.16	1199.28	1201.38	1192.71	1188.22
41	Business Services (12)	1242.57	+0.7	9.29	5.24	13.15	[illegible]	1234.20	1231.05	1229.26	0.00
42	Chemicals (21)	1388.20	+0.3	8.07	5.19	13.98	[illegible]	1383.85	1369.96	1367.47	1267.90
43	Conglomerates (10)	1396.74	-0.3	10.91	7.43	11.[illegible]	31.[illegible]	1400.80	1411.33	1390.58	1623.26
44	Transport (13)	2158.06	+0.2	8.52	4.88	14.61	46.[illegible]	2154.73	2160.09	2158.15	2278.57
45	Electricity (16)	1174.98	+0.5	14.55	5.53	8.76	0.00	1168.61	1165.57	1161.93	0.00
46	Telephone Networks (4)	1425.92	+1.3	10.40	4.27	12.58	5.58	1407.79	1422.88	1414.63	1246.03
47	Water (10)	2261.32	+1.3	18.27	6.81	6.05	118.37	2232.55	2206.41	2160.97	1955.03
48	Miscellaneous (23)	1956.52	+0.4	6.13	4.94	20.97	47.71	1948.39	1953.90	1930.20	1806.96
49	INDUSTRIAL GROUP (488)	1213.53	+0.7	9.41	4.70	13.08	21.39	1205.51	1209.97	1203.38	1169.17
51	Oil & Gas (20)	2383.94	+0.6	11.39	5.74	11.56	50.59	2368.64	2395.27	2372.90	2283.85
59	500 SHARE INDEX (500)	1312.53	+0.7	9.67	4.84	12.86	23.79	1303.89	1309.99	1302.18	1262.91
61	FINANCIAL GROUP (94)	777.00	+1.5	–	6.11	–	20.71	765.70	767.33	762.60	797.20
62	Banks (9)	876.74	+2.2	6.84	6.32	22.14	22.63	857.55	857.57	848.18	837.00
65	Insurance (Life) (7)	1458.09	+1.3	–	5.67	–	41.64	1439.93	1437.46	1422.62	1446.46
66	Insurance (Composite) (6)	659.52	+1.2	–	6.64	–	20.23	651.76	656.28	654.26	691.96
67	Insurance (Brokers) (8)	1125.81	+0.5	6.95	6.02	18.70	29.60	1119.86	1127.40	1134.88	987.99
68	Merchant Banks (7)	419.11	+0.3	–	5.00	–	11.00	417.81	416.16	414.67	437.98
69	Property (37)	888.66	+0.8	6.92	5.33	20.01	19.29	881.23	884.30	884.83	1104.19
70	Other Financial (20)	257.13	+0.4	11.05	7.01	11.31	7.80	256.22	258.73	258.56	289.12
71	Investment Trusts (70)	1182.70	+0.5	–	3.57	–	19.23	1177.20	1185.41	1179.20	1206.86
99	ALL-SHARE INDEX (664)	1183.05	+0.8	–	4.97	–	22.74	1174.07	1179.25	1172.21	1151.07

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 3	Jul 2	Jul 1	Jun 28	Jun 27	Year ago
FT-SE 100 SHARE INDEX♦	2470.4	[illegible]	[illegible]	2452.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2331.4

FIXED INTEREST

	PRICE INDICES	Thu Jul 4	Day's change %	Wed Jul 3	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	121.04	+0.10	120.93	1.83	6.06
2	5-15 years (27)	130.97	+0.42	130.41	2.44	6.73
3	Over 15 years (9)	137.62	+0.58	136.82	2.13	6.44
4	Irredeemables (6)	150.73	+0.53	149.93	1.37	7.34
5	All stocks (71)	130.01	+0.33	129.59	2.21	6.57
	Index-Linked					
6	Up to 5 years (1)	159.00	+0.11	158.83	0.47	2.72
7	Over 5 years (10)	145.46	+0.10	145.32	0.78	2.22
8	All stocks (11)	146.41	+0.10	146.26	0.77	2.23
9	Debs & Loans (56)	108.55	+0.61	107.89	2.29	5.18

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 4	Wed Jul 3	Year ago (approx.)
	British Government				
1	Low	5 years	9.03	9.07	10.79
2	Coupons	15 years	9.93	10.00	10.78
3	(0%-7¾%)	20 years	9.93	10.00	10.78
4	Medium	5 years	10.33	10.38	12.20
5	Coupons	15 years	10.16	10.23	11.41
6	(8%-10¾%)	20 years	10.08	10.15	11.18
7	High	5 years	10.50	10.56	12.28
8	Coupons	15 years	10.30	10.38	11.63
9	(11%-)	20 years	10.19	10.26	11.42
10	Irredeemables		10.13	10.19	10.77
	Index-Linked				
11	Inf[illegible]	Up to 5yrs.	4.45	4.48	5.38
12	Inf[illegible]	Over 5 yrs.	4.34	4.34	4.26
13	Inflation rate 10%	Up to 5 yrs.	3.54	3.57	4.32
14	Inflation rate 10%	Over 5 yrs.	4.15	4.15	4.09
15	Debs &	5 years	11.98	12.09	13.94
16	Loans	15 years	11.79	11.88	12.82
17		25 years	11.59	11.67	12.49

♦Opening index 2452.5; 9 am 2461.6; 10 am 2463.2; 11 am 2467.3; Noon 2[illegible] pm 246[illegible] 2465.7; 2.30 pm 2466.2; 3 pm 2466.4; 4.10 pm 2470.2; (a) 3.51pm (b) 8.30am † Flat yield. Highs and lows record[illegible] dates, valu[illegible] constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financia[illegible] Number [illegible] wark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the informat[illegible] in the co[illegible] of these indices. These are available by subscription from FINSTAT, 071-925 2323. NAME CHANGE: United Friendly Insurance (65) [illegible] Friendly Group.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	0	24
Corporations, Dominion and Foreign Bonds	6	0	14
Industrials	268	231	1,018
Financial and Properties	137	82	521
Oils	15	18	56
Plantations	1	0	9
Mines	56	19	86
Others	30	79	53
Totals	573	429	1,781

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

a Annualised dividend. b Figures based on pro[illegible] or payable on part of capital, cover based on dividend on full capital. g Assum[illegible] based on preliminary figures. n Forecast or estimated annualised dividend rate, [illegible] F Dividend and yield based on prospectus or other official estimates for 199[illegible] prospectus or other official estimates for 1991. L Estimated annualised div[illegible] earnings. M Dividend and yield based on prospectus or other official estim[illegible] Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast [illegible] based on prospectus or other official estimates. W Pr[illegible] figures. § Offered to holders of [illegible] "rights". † Introduction. ‡ Placing price. †† Reintro[illegible] with reorganisation, merger or takeover. pm Price at a [illegible]

TRADITIONAL OPTIONS

- First Dealings — June 24
- Last Dealings — July 5
- Last Declarations — Sept. 26
- For [illegible] — Oct. 7

For rate indications see end of London Share Service

Calls in Aviva Pet., Eleco and Ladbroke. Puts in Chelsea Man.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

July 4 Total Contracts 20,014
Calls 12,935 Puts 7,079
FT-SE Index Calls 2,201 Puts 2,282
Euro FT-SE Calls 222 Puts 172
*Underlying security [illegible] expiry date
Premiums shown are [illegible] prices.

Electricity prospectuses [illegible] yardstick only north of the border

Northern beats forecast with £89m

By Clare Pearson

NORTHERN ELECTRIC, the regional electricity company (rec) for the north-east of England, yesterday reported pre-tax profits for the year to end-March of £89.2m, 22 per cent higher than it forecast in its flotation prospectus last autumn.

Mr David Morris, chairman, said there had been "an encouraging growth in the number of units distributed", which he said had been maintained in the current year.

Units distributed in the lower voltage, higher margin domestic and commercial markets grew [illegible] per cent overall with [illegible] commercial sector registering growth [illegible] more than 6 per cent.

That offset [illegible] decline in demand from industrial companies and particularly the chemicals sector.

On a pro forma basis, assuming the company had been pri[illegible] for a [illegible] year, earnings per share were 41.4p. The recommended dividend of 11.38p is as forecast.

Compared with the previous year, turnover was [illegible] £776.4m (£819.7m).

Unlike most other [illegible], Northern's supply business [illegible] completely covered by [illegible] at privatisation. So these results were not boosted by [illegible] to [illegible] that turned out [illegible] lower than anticipated in [illegible] forecast.

Beyond provisions anticipated in the forecast, Northern put aside £2m in these figures for cuts in the workforce. It recently announced it planned to reduce manpower by at least 10 per cent over the next five years.

Many of the redundancies are to be in [illegible] contracting business, which traded [illegible] loss [illegible]. Mr [illegible] said it was being scaled down as it had [illegible] decided that it "did not have a future in large-scale contracts".

As part of [illegible] new marketing drive in [illegible] domestic and commercial sector, Northern recently recruited [illegible] Cilla Black, the television personality, to [illegible] a [illegible] of pricing system [illegible] Super Tariff, where the heating bill is separated [illegible].

David Morris: encouraging growth in units distributed

Mr Morris said the rate of [illegible] of [illegible] heating [illegible] trebled [illegible] region since the scheme was introduced fi[illegible] months ago.

Capital expenditure, mainly on the distribution system, [illegible] about in line with the prospectus forecast [illegible] gearing was 27 per cent, against 35 to 40 per cent anticipated [illegible] privatisation.

COMMENT

[illegible] is [illegible] whipping boy [illegible] the recs. [illegible] were [illegible] on the highest yield [illegible] they have failed to achieve a better rating since, reflecting [illegible] view in the City that its man[illegible] are the [illegible] of the bunch. [illegible] question is to [illegible] extent that [illegible] problem of [illegible]sentation rather [illegible] reality. *Although not credited with* possessing [illegible] strategy, they do [illegible] be pursuing a line of building [illegible] in the higher margin areas and de-emphasising the less profitable and less reliable industrial element. Meanwhile the business seems to be performing perfectly well. [illegible] profits should reach about [illegible]. An [illegible] this year [illegible] the prospective dividend yield 7.2 per cent, which seems unjustifiably large.

Scottish Hydro on line with £60.3m and agrees access to French capacity

By James Buxton, Scottish Correspondent

SCOTTISH Hydro-Electric, the recently floated electricity company which boosted its sales to other electricity companies last year by 70 per cent, has contracted access to generating capacity [illegible] de France (EdF), the French utility, to help supply [illegible] English customers.

[illegible] vertically integrated company, whose franchise area [illegible] the northern part of Scotland, recently agreed to [illegible] part of the needs [illegible] Eastern Electricity from its Scottish generating capacity.

Mr Roger Young, chief executive, said [illegible] Hydro-Electric's commitment to industrial [illegible] and regional electricity com[illegible] in England now exceeded [illegible] ability to pro[illegible] or hedge supplies from Scotland, particularly since the company's exports from Scotland are restricted to 350MW by the size of the inter-connecting power lines.

For this reason Hydro-Electric recently made an agreement with the French utility, which supplies [illegible] English grid via [illegible] under [illegible] English Channel.

Hydro-Electric [illegible] announcing its results for the year to March 31 1991, which were [illegible] the privatisation prospectus published in May.

Pre-tax profits [illegible] 20 per cent [illegible] £60.3m (£50.1m), on [illegible] 26 per cent higher at [illegible].1m (£447.7m).

Sales to industrial customers in ScottishPower's area and in England were up 60 per cent and those to other electricity companies, including ScottishPower, and to the English pool, [illegible] up [illegible] cent, reflecting the opening up of competition in [illegible] electricity [illegible]ket.

Sir Michael Joughin, chairman, said [illegible] in the latest round of [illegible]petition for large industrial customers Hydro-Electric had only a small [illegible] business in its home territory, while gaining further new [illegible] in [illegible] south.

Large industrial [illegible] in [illegible] north of Scotland benefited [illegible] substantial price reductions [illegible] year, [illegible] said.

Mr Young distanced himself from last week's statement by Sir Donald Miller, chairman of ScottishPower, who blamed the government's tough stance on capital restructuring for ScottishPower's low premium after [illegible].

Mr Young said: "The tight offer price was set by the market in the book-building exercise, not by the government. We're entirely happy with the flotation."

Since the shares were floated Hydro-Electric has traded at a higher premium than ScottishPower.

Yesterday [illegible] shares closed unchanged at 113p while ScottishPower's were down ½p at 105p.

Directors' salaries were to be reviewed by [illegible] which had not yet met, he said.

Post-privatisation salary incre[illegible] were [illegible] in the prospectus.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Aberforth-Smaller Co's, City Site Estates, East German Inv Trust, M & W.

Finals- Fuller Smith & Turner, JS Pathology, Kingsgrange, Menzies (John), Quilgott.

FUTURE DATES

Interims-	
Abbey Panels	July 12
[illegible] Java Trust	July 17
Hepworth	July 25
Jacobs (John I)	Aug. 8
Malvern UK Index Trust	July 29
Finals-	
AIM	July [illegible]
ATP Comms	Aug. [illegible]
Batleys	July 15

Trinity Intl may bid for Southern Newspapers

By Maggie Urry

TRINITY INTERNATIONAL Holdings, publisher of Liverpool's Daily Post and Echo newspapers, is planning to make an offer for Southern Newspapers, which operates in the south-west of England.

Before Trinity makes an offer, the Secretary of State for Trade and Industry has to consent to the proposed transfer of ownership under UK laws governing newspaper ownership.

Mr David Snedden, managing director, said he was confident that consent would be given after the Monopolies and Mergers Commission has considered the case.

This could take two months or so, he said, and it would not announce terms until then. It reserves the right not to bid. Mr Colin Rowley, finance director of Southern, said it was difficult to comment until terms had been set.

However, Trinity has written to Southern shareholders, whose shares are traded on a matched bargain basis under Rule 535 (2), offering to buy their shares. Yesterday it was paying about 200p, which values Southern at £46.7m. Any offer would have to at least equal the highest price paid.

Trinity has expanded through acquisition in recent years, and has titles in North America as well as the UK, and interests in paper and packaging.

Southern has diversified into property, and holds 750,000 shares in [illegible] information group, [illegible] £5.7m.

Southern has been hit by the receivership of Leading Leisure, a developer of leisure properties, in which it has a 28.6 per cent stake. Mr Snedden said this and other "ill-considered investments" had led to shareholder [illegible]tion in Southern.

Southern made a pre-tax profit in the year to June 30 1990 of £15.1m, which included a £5.5m gain on the sale of 650,000 Reuters shares.

Its interim results showed a fall in pre-tax profits from £6.4m to £1.9m. Trinity's pre-[illegible] profits were £18.2m in [illegible].

Markheath £4m in red after heavy loss on Frogmore stake

By Jane Fuller

MARKHEATH Securities, the property [illegible] had [illegible] 11-month involvement with [illegible] components, [illegible] pre-tax in the [illegible] March 31 1991.

[illegible] final [illegible] is [illegible] to 2p, reducing [illegible] year's total from [illegible] to 4p. [illegible] per share were 3.21p (earnings 12.74p).

Markheath, which made a profit of £11.8m in the previous year, is [illegible] per cent owned by the Australian Adelaide Steamship [illegible], which [illegible] in negotia[illegible] (£2.9bn) [illegible].

Mr John Spalvins, former head [illegible] Adsteam, has [illegible] replaced [illegible] non-executive chairman of Markheath by Mr [illegible] Rendle.

[illegible] Engineering, [illegible] components company taken over in May 1990 and [illegible] April to [illegible] trading figures [illegible] not [illegible].

Nearly £12m [illegible], how[illegible] on an investment in Frogmore [illegible], which recently fought [illegible] a hostile all-paper bid from Southend Property. Markheath recently reduced [illegible] and has written down [illegible] of the remaining 13 [illegible] cent. Excluding Frogmore, Markheath's earnings [illegible] 6.53p per share in the year.

Interest costs rose to £6.99m (£4.73m). Mr Paul Bobroff, managing director, said year-end debt stood [illegible] £95m on shareholders' [illegible] £78.9m (£105.1m), reduced partly by write-downs on the property portfolio.

The Camford sale cut borrowings to less than £50m, giving gearing of 60 per cent.

The slump in the property market was reflected in a 31 per cent fall in turnover to £34.1m (£49.8m). Gross profit plummeted to £1.69m (£11.36m).

Rental income from investment properties increased to £2.47m (£1.72m) and was expected to rise by at least 20 per cent [illegible] from development property fell to £430,000 (£776,000). Dividends received totalled £1.48m (£1.38m).

Mr Bobroff acknowledged that the company would have difficulty covering £6m of interest payments this year. But debt might [illegible] reduced by action on [illegible] site in Ste[illegible] from the Camford exercise), destined [illegible] an office park.

It would [illegible] to [illegible] moved off Markheath's balance [illegible] once development – costing more than £100m over three to five years – got under way. Partners were being sought.

The 200,000 sq ft Fountains Office Park in west London, developed with Adsteam, had been mostly let. The joint venture debt – off Markheath's balance sheet – was £37m and rent would be £3.7m [illegible]. Money would not start to come in until next March.

The share price closed up 2p [illegible], compared with [illegible] assets per share of 64.6p.

SA bidder attacks Etam's capital spending record

By Jane Fuller

ETAM, the fashion retailer, has failed to justify more than £75m of capital spending in the last three [illegible] African-controlled [illegible] bidding [illegible] claimed yesterday.

[illegible] Corporation, [illegible] family [illegible] runs [illegible] in South Africa, [illegible] performance in [illegible] posted yesterday. It has [illegible] 29.2 per cent [illegible] is offering 185p [illegible] for [illegible] rest, valuing [illegible].

The price was set [illegible] recent [illegible] and [illegible] raised. The closing date [illegible] July 25.

Etam has claimed that Oceana is attempting to grab it on the cheap at the bottom of the retail cycle. Its investment to build up 250 shops put it in a strong position to benefit from economic recovery.

It [illegible] pre-tax profit of [illegible] (£17.5m) on [illegible] £206.5m in [illegible] January 26.

[illegible] offer [illegible] being [illegible] Campbell Lutyens [illegible].

Securiguard down 28% as recession bites

By Richard Gourlay

Securiguard, [illegible] security [illegible] industrial cleaning [illegible], yesterday reported [illegible] 28 [illegible] cent drop to [illegible] in pre-tax profits for the 28 weeks to May 19 as [illegible] hit margins and interest charges rose.

[illegible] were [illegible] higher [illegible] with growth up strongly in the security division [illegible] in the cleaning and maintenance division.

Earnings per share fell from [illegible] 7.2p but the [illegible] maintained [illegible] interim dividend [illegible] 3.2p.

Interest charges jumped from £902,000 [illegible] on debt almost unchanged at [illegible] after starting the period £2m higher, giving the group interest cover of over three times earnings.

There [illegible] also an exceptional provision of £287,000 relating [illegible] compensation paid [illegible] director.

[illegible] personnel services division was not expected to make [illegible] positive contribution this year.

Japanese support Brent Walker

Brent Walker, [illegible] leisure group, is close to gaining consents from all its 47 banks to a financial restructuring essential to its survival. Yesterday approvals were received from key Japanese banks, leaving only [illegible] couple of continental [illegible] to give the go-ahead, writes Maggie Urry.

One banker [illegible] "there is nothing ominous; it's a matter of bank procedures. These decisions are often taken at board level and board meetings may only take place once a month".

The group is hoping to tie up all consents by this weekend, although the deadline is July 14. Meanwhile, talks with the banks owed £350m by William Hill are said to be progressing.

Tale of ballet, bully and no buyers

Philip Coggan considers the troubled times at Gresham House

INVESTMENT TRUSTS are meant to be reliable, boring companies which rarely cause their shareholders sleepless nights.

So how did Gresham House announce an 82 per cent fall in net asset value this week, causing a 66 per cent collapse in its share price on Monday?

The answer lies in a bizarre combination of the Bolshoi Ballet, Saddam Hussein, the collapse in the property market and the economic recession.

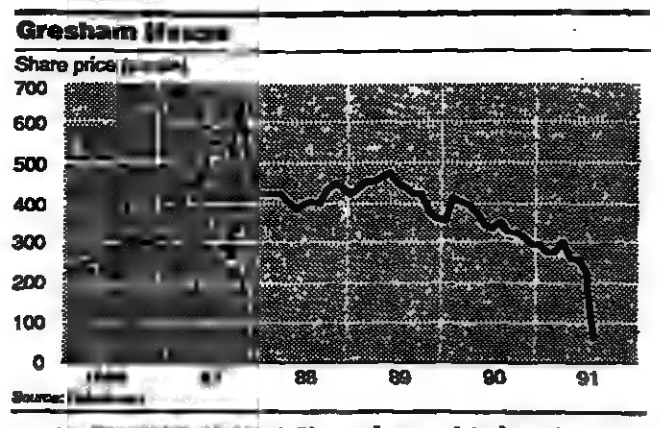
Gresham House – which has no connection with Gresham Trust, a subsidiary of Eagle Star – was originally established as a property company, with its main asset an eponymous office building on the site now occupied by the NatWest Tower.

In the mid-1950s, Mr Raleigh Rowe, the then managing director, fought off a 700p per share takeover bid by selling the office properties, giving 800p per share back to shareholders and retaining 300p per share of cash in the company.

Ten years later, the company remained a cash shell when Mr Alfred Stirling, the current managing director, took up the post in 1967 after Mr Rowe's death. He began the investment strategy which the company has followed ever since.

The group's main investments were in unquoted companies, backing them with both equity and loan finance, and staying with them until they joined the stock market and beyond. In addition, the trust continued to buy property, both for investment and development purposes. "As a formula, it seemed to work," said Mr Stirling.

Although assets grew from £1.75m when Mr Stirling took over to £30m in the late 1980s, the trust's shares continually stood at a discount to net



assets [illegible] of about 50 per cent. A [illegible] reason was the unquoted element in the trust's portfolio, where valuations are at best tentative.

In addition, the traditional means of eliminating a trust discount, an approach from a predator, was virtually impossible. A trust for the family of the late Mr Rowe owns more than 40 per cent and the directors own a further 5.4 per cent.

Nevertheless, shareholders must have felt safe on June 28, before the announcement of the results. The shares stood at a 68 per cent discount to net assets, which seemed to leave plenty of scope for bad news – not enough scope, however.

The trust was forced to make exceptional provisions of £15.2m for 1990, causing assets per share to fall from 737p to 130p. With borrowings of £17m, and shareholders funds of just £5m, the dividend was passed.

One substantial hole in Gresham's balance sheet was blown by Entertainment Group Holdings, in which the trust had a 40 per cent equity stake, and loans outstanding.

Entertainment Group promoted international tours of dance and ballet companies and seemed to have two surefire clients, the Bolshoi and the Kirov ballets.

However Mr Stirling said that after Saddam Hussein's invasion of Kuwait, "no-one turned up" to a Bolshoi performance in Los Angeles because they were glued to the TV news. A tour of the UK by the Red Army Choir collapsed before it started.

The result was that the receivers were called in to the Entertainment Group, causing £4.6m of the exceptional write-down, plus further provisions of £2.9m against the portfolio.

Further bad news was brewing in the property market where the buyer of one substantial office development dropped out in the wake of the Gulf crisis. Given the delays in letting the group's developments, Gresham was forced to take an exceptional provisions of £5.6m.

Meanwhile, the group's largest single quoted investment, Omnitech, a food packaging group, was forced into receivership by the economic recession, causing exceptional losses of £1.1m, and a write-down in the portfolio.

These successive blows so weakened the trust that it was forced to take the view that it would not be able to give any additional support to its unquoted investments, should they find themselves in financial difficulties. And given Mr Stirling's view that the recession is set to bite deeper, that necessitated a further provision of £3.7m against loans to unquoted companies.

To add to his woes, Mr Stirling was forced to sell some of the best parts of his quoted portfolio to try and keep a lid on the trust's borrowings.

So where can the trust go from here? Obviously a lot depends on the attitude of the bankers, who Mr Stirling said, have so far been very helpful.

Gresham's first target is to let the development properties. If that happens, they can be sold and borrowings reduced. If other investments can be realised, borrowings can be cleared and the whole process start again.

But it has been a sorry lesson; for Mr Stirling, whose salary is being cut from £75,000 to £55,000; for some of his employees, who are losing their jobs; and for private shareholders, who have discovered that not all investment trusts are safe.

Recession cuts MS to £59,000

MS INTERNATIONAL, the engineering group, reported pre-tax profits of £59,000 in the year to April 27, against £3.7m.

The result had been expected and the shares closed at 35p, down 2p but 3p higher than the day's low.

Mr Michael Bell, chairman and chief executive, blamed the recession and the cut in defence spending.

Trading conditions deteriorated at a sharper rate than was apparent at the interim stage, he added. There were marked falls in demand from many customers – particularly those associated with the motor industry.

A breakdown of operating profits showed defence and electrical equipment down from £2.55m to £290,000, mechanical engineering at £832,000 (£1.38m) and discontinued activities with losses of £277,000 (£227,000 profits). After the end of the period Mech Cast was sold and Diathane (Circuits) was closed.

MS also bought out its partner, Kenhar, in the Mechforge Kenhar joint venture.

Earnings per share came out at 0.4p (8.4p) and a reduced final dividend of 1.5p makes a total of 2.5p (4.16p).

Elements of high tension in the high-tech race for Tace

Richard Gourlay profiles strong-bidding Thermo

THERMO Electron, which on Tuesday launched a £24.9m recommended bid for Tace, the environmental monitoring equipment company, may be a newcomer to the UK but it is a rising star among US high-tech companies.

Not only is the 35-year-old mini-conglomerate pioneering technology like bomb detectors, power plants that burn agricultural waste, and artificial blood pumps that run in parallel with organic hearts.

Some 10 years ago it also embarked on a strategy of spinning off minority stakes in successful divisions to reward its top managers more fully through stock options and to ensure that institutional shareholders could fund start-up high-tech investments.

As a result the Massachusetts-based company, which currently has a market capitalisation on the New York Stock Exchange of about $850m (£529.6m) and is listed in the Fortune 500, has controlling interests in seven publicly quoted companies.

One of these, the 82-per-cent-controlled Thermo Instrument Systems, is where Mr John Hatsopoulos, finance director and brother of Thermo's founder, believes Tace's environmental monitoring business would fit.

TIS already makes monitoring equipment that measures emissions of chemicals and Tace has market leadership in equipment that measures particles, like dust.

Following the passage of the Clean Air Act in the US, public municipalities and utility companies have already become a large market, says Thermo's Mr Peter Pantazelos.

Launched 35 years ago by Mr George Hatsopoulos, a mechanical engineer and one-time lecturer at Massachusetts Institute of Technology, Thermo spent its first 10 years as a think-tank for industry and government. It still receives about half its $48m research and development budget from outside sources.

Thermo's all cash offer for Tace would hardly dent its cash balances of $270m, against which it has debt of $180m, most of it in the form of convertible debentures. Last year it paid $110m cash for Finnigan, a US mass spectrometer manufacturer.

But the race for Tace, and its 51-per-cent-controlled subsidiary Goring Kerr, may be far from over.

First there is the wild card, the 252p all cash offer from Stac, a buy-out team led by management from one of Tace's US subsidiaries. It is backed by Stephens, the US investment bank. Stac is reviewing its next move.

While Thermo's 255p cash offer is currently the best on the table and 35p better than the first bid from Cambridge Electronic on June 14, the UK electronics group is far from down and out.

The attractions of cash might be overwhelming for Tace shareholders in a stock market going nowhere in particular. On the other hand, investors taking this route would miss out on greater growth opportunities provided by the synergy between Cambridge and Tace which so impressed them before this week's new cash bids.

Cambridge still enjoys the irrevocable support for its bid from Tace's founder, Mr Jock Mackenzie, who has a 22 per cent stake in Tace. Cambridge is also reviewing its next move.

NEWS DIGEST

Margins suffer at Stirling

CONTINUED pressure on margins, reflecting poor high street demand, left taxable profits of Stirling Group, the Manchester-based clothing manufacturer, sharply lower in the 12 months to end-March.

On turnover down at £41.3m (£42.8m), the pre-tax outcome amounted to £1.06m (£2.74m). Earnings per share dipped to 2.23p (5.09p) but the final dividend is maintained at 1p for a same-again total of 1.5p.

Fiona Rose, a supplier of nightwear to Marks and Spencer acquired last December, made a better-than-expected contribution to profits, said Mr Peter Sheldon, chairman.

Stirling also announced the purchase of E Gifford, an importer and distributor of casual clothing, for an initial £635,000 and a maximum deferred payment of £1.3m.

British Steel chief takes 6.5% pay cut

Sir Robert Scholey, chairman of British Steel, took a 6.5 per cent pay cut last year, according to the company's annual report published yesterday.

Sir Robert's salary, which includes a performance-related bonus, was £288,318 in the year to end-March, down from £308,451 in the previous year.

UMECO warning for current year

A loss of £167,000 in the Loheat subsidiary outweighed other improvements and led to a 9 per cent reduction in pre-tax profits at UMECO in the year to March 31.

And directors warned of a "major impact" on current first half results through businesses now being hit by the recession, or by delays in aerospace programmes and the consequent postponement of orders.

The USM-quoted group primarily serves the aerospace industry.

In 1990-91 it lifted turnover to £13.9m (£11.6m) but pre-tax profit fell to £701,000 (£773,000). Loheat bore the full brunt of the recession; the aviation and aerospace companies lifted their profit to £1.16m (£906,000).

Earnings fell to 9p (9.8p). The final dividend is 2.24p for a total of 3.886p (3.615p).

Boscombe Property expands to £245,000

Boscombe Property expanded pre-tax profit from £74,000 to £245,000 in the year ended March 31 1991, after gross rental income moved up from £635,000 to £704,000.

Earnings per share soared from 61.52p to 181.9p. The dividend has already been lifted to 130p (55p).

Laird completes $55m placement

Laird Group has completed a private placement of $55m (£34.3m) of senior notes with US institutions. The notes, due in 2006, have a fixed interest rate of 9.55 per cent per annum.

The proceeds will be used to refinance existing US borrowings and for general corporate purposes.

Eroded margins as Dewhurst falls 63%

Under difficult trading conditions, Dewhurst saw its sales fall 5 per cent and its pre-tax profit slide 63 per cent in the half-year ended March 31 1991.

Directors of this electrical control equipment maker said the decline in sales had been moderated by absorbing cost increases, causing margins to be eroded.

Sales came to £3.9m (£4.12m) and profit to £201,000 (£553,000). The interim dividend is again 0.6p from earnings of 1.22p (3.2p).

Druck makes £3m in nine months

Druck Holdings, the USM-quoted maker of electronic measuring devices, reported pre-tax profits of £3.03m for the nine months to March 31, compared with £4.22m for the previous 12 months.

Turnover for the nine months was £17.1m (£19.1m) and earnings were 29.5p (40p). A proposed final dividend of 3.8p makes a total of 6.6p (3.2p).

Recommended offer for Wyndham

CULVER Holdings has made a recommended offer for the whole of the share capital of Wyndham Group, the property investor and motor retailer.

The details, together with a placing and open offer, were announced yesterday.

Culver is a new company formed for the transaction. It is a subsidiary of EFNH, a private investment company incorporated in Guernsey.

The offer is one new 1p ordinary for four ordinary shares, five ordinary for 62 9.375 per cent convertible preference shares, and one ordinary for four B convertible preference.

Assuming full acceptance, Wyndham's shareholders will be issued with up to 2.38m new Culver ordinary, representing about 6 per cent of the enlarged issued share capital.

Culver hopes to raise about £1.1m by way of the placing and open offer of 27.5m new ordinary 1p shares at 4p each. Brown Shipley will place 12.63m shares and Culver has received undertakings to subscribe for the balance.

Application will be made for admission of Culver to the Official List.

BUSINESS LAW

Issues to tax the sports stars

By Brian Clark

WITH A traditional English summer doing its level best to disrupt the Wimbledon championships, overseas players have at least had plenty of time to get down to some serious homework on the vagaries of the UK's Foreign Entertainers' Tax (FET). Every cloud has a silver lining.

The FET is a withholding tax on payments made to anyone, which derive, directly or indirectly, from a commercial activity performed in the UK by non-resident entertainers or sportsmen.

It was introduced in the Finance Act 1986. However, the law is not to be found in the Act but in the detailed regulations prepared under the Act by the Inland Revenue.

The statutory provisions state only that a deduction is to be made in accordance with prescribed rules, from a payment having a connection of a prescribed kind, with an activity of a prescribed description, performed by an entertainer or sportsman of a prescribed description.

The breadth of the scope of the Income Tax (Entertainers and Sportsmen) Regulations 1987 is matched only by their uncertainty.

The resultant law, if interpreted literally, is unworkable. It functions only for three reasons:

- First, because the people making the payments (sponsors of events) may be liable for the tax if they do not withhold, the tendency is to withhold in any event and leave the taxpayer to argue his case with the Revenue;
- Second, sports bodies have combined with the Inland Revenue, under arrangements which do not appear to have any statutory authority, to act as collecting agencies for the Revenue, thus enabling the tax to be collected efficiently;
- Third, the tax is administered by a unit of the Inland Revenue, the Foreign Entertainers' Unit, which in effect imposes its own rules on how the tax will work in practice.

A full discussion of the anomalies of the tax would be too lengthy, but the following examples demonstrate the kind of problems which are involved in operating the tax.

Unlike the UK's other withholding taxes which place an obligation to withhold on the person actually making the payment to a non-resident, the FET requires everyone in the chain to withhold tax, unless the withholding has been made by a previous payer.

Theoretically, therefore, the sponsor of any large UK sporting event in which any non-resident participates should withhold tax on the total sponsorship monies paid to the organisers of the event; this is because of the possibility that a foreign entrant may win part of that sponsorship money as prize money.

Financial chaos for sponsored sporting events in the UK is averted solely because event organisers and the sporting bodies, such as the Professional Golfers' Association, regularly collect and account to the Revenue for the tax on the payments actually made to non-resident participants, rather than payments being withheld at the initial paying sources in accordance with the legislation.

Under the regulations, in circumstances where tax would have to be withheld from a payment to a non-resident sportsman, it would also have to be withheld from a loan to him. However, nowhere in the legislation is there any mention of what is to occur when the loan is repaid; collection is provided for – not repayment.

The breadth of the entertainers tax rules is matched only by their uncertainty

Then there is the question of residence. Tax residence is a complex mixture of fact and law. However, a person making a payment to a sportsman whose tax residence is uncertain is supposed to be gifted with sufficient prescience to decide whether the recipient is, or is not, resident.

Furthermore, it is another department of the Inland Revenue, not the Foreign Entertainers' Unit, which makes the decision as to who is and who is not resident in the UK for tax purposes.

There are no reported cases and no published statements of practice as to how the tax is applied. Its application therefore depends largely on the policy operated for the time being by the Foreign Entertainers' Unit.

The example of an American tennis player who plays at Wimbledon will demonstrate some of the anomalies. The American player endorses throughout the world an American suntan lotion and aftershave. During the fortnight he is wholly engaged in the tournament and performs no activities in relation to either of these endorsement arrangements, although on his sleeve he wears a patch bearing the name of the aftershave.

Had discussions been held with the Foreign Entertainers' Unit, say, a year ago, the Unit would have sought to collect tax on the part of the payments for advertising the suntan lotion on the basis that they were indirectly related to the appearance of the tennis player at Wimbledon.

But as a result of a change of policy made on their own initiative, the Unit does not now deem these payments to be related to an activity in the UK and so liable to tax under the FET regime.

However, the wearing of a patch relating to the aftershave is regarded by the Unit as the performance of a service and accordingly part of the payments for endorsing the aftershave is still regarded as taxable by the Foreign Entertainers' Unit.

What proportion of the total income for endorsing the aftershave should be taxable in the UK? Should it be based on the number of tournaments in the UK that the player participates in, against his total number of tournaments; or the number of days of tournament play in the UK against the total number of days of tournament play worldwide; or the number of days present in the UK against the total number of days in the year; or should it equal the proportion of sales of the aftershave in the UK, compared with sales worldwide? The regulations do not answer this question, although the "policy" of the Unit purports to.

If the organiser of a tournament pays the air travel of a player, the Unit will treat the payment of the air fares as a taxable benefit in kind arising from participation in the tournament and the cost of travelling to and from the tournament as a non-deductible expense.

On behalf of the taxpayer, it can be argued that no taxable activity would arise at all unless the player participated in the event, which he would not do unless his air fare was paid both ways. Usually in this argument compromise prevails with the Revenue taxing the air travel one way, but not the other.

All of these matters can be resolved through discussions with the Foreign Entertainers' Unit but the price of settlement will be the resolution of any uncertainties in favour of the UK Revenue.

More important, it is only a detailed knowledge of the liability to taxation of each category of income and of the Unit's attitude towards taxing them, which will result in the most equitable settlement being reached.

Prior to the FET, collection of tax by the UK Revenue from visiting foreign entertainers and sportsmen was very much a hit and miss affair.

Quite clearly, there was a big fiscal problem to be resolved but, despite its significance, one has to question whether the FET in its present form is an acceptable cure. It cannot be equitable that the application of taxation is known only to a particular unit of the Inland Revenue and a handful of specialists whose familiarity with the latest thinking of the Unit enables them to strike the best deals.

It may be argued that a system which has vastly improved the collection of tax on the UK activities of overseas entertainers and sportsmen should not be questioned. But if the deficiencies of a taxation system are sufficiently great to deter economic activity in Britain, will the UK not in the long term be the loser?

Wimbledon and the British open golf championship have no privileged status. They will continue to remain the world's premier events of their kind, only as long as they can attract the best competitors. They will only be able to do this so long as the prestige of the event outweighs the disincentives from participating.

At present, the state of sport in the UK is extremely healthy and is contributing millions to the exchequer. However, the present state of the British film industry, if it still exists, is a clear indication of what can occur without adequate government support and a fiscal policy that has only, on occasions and randomly, recognised the needs of that industry.

The author is a partner in London solicitors Nabarro [illegible]son

FT LAW REPORTS

Ship gets general average despite actions of unskilful master

THE ALPHA
Queen's Bench Division (Commercial Court): Mr Justice Hobhouse. June 14 1991

DAMAGE CAUSED to the engines of a grounded ship as a direct result of the master's attempts and intention to refloat it knowingly risking damage, is a sacrifice under the York-Antwerp Rules entitling the ship's interests to guaranteed general average contributions, irrespective of whether the risk was exacerbated by the master's unskilful and unreasonable conduct of the refloating operations.

Mr Justice Hobhouse so held when giving judgment for the plaintiff ship's interests, Corfu Navigation Co and Bain Clarkson Ltd, on their claim under a general average guarantee given by the defendant cargo interests, Mobil Shipping Co Ltd, Zaire SEP and Petroca SA, against release of cargo carried on board the Alpha.

["General average" is the sharing of loss incurred through a sacrifice made by a ship's master for the good of all interested parties on the ship.]

HIS LORDSHIP said that on August 3 1984 Alpha sailed from Abidjan on the Ivory Coast bound for Ango Ango, a port in Zaire about 70 miles up the Zaire river. While she was waiting for a pilot to take her up river she went aground on the Mona Mazea Bank.

A strong current ran over the bank and the vessel was carried three or four miles before she was fully afloat. She needed repairs and proceeded to Banana where the cargo was trans-shipped and on-carried to its destination.

General average was declared. A non-separation agreement was signed and general average guarantees were given by cargo interests. The vessel was treated as a constructive total loss. Ship interests claimed a general average contribution from cargo interests.

Alpha was powered by a water-cooled diesel engine. Her electrical power was provided by diesel-driven alternators with water-cooled engines.

The water-cooling system involved circulation of fresh water cooled in heat-exchangers by circulation of sea water. The sea water was pumped from sea-suctions round the piping system and out again. The suctions were low on the ship and liable to be affected by mud and silt intake when the vessel was grounded or in shallow waters.

Mona Mazea Bank consisted of sand and silt. While the engines were being used for refloating, the sea water cooling system became clogged and the engines and lubricating oil over-heated. The bearings and other parts of the engines were destroyed. The cost of repair was $800,000.

The plaintiff ship interests said that causing damage to the vessel while attempting to refloat was a general average sacrifice in respect of which they were entitled to contribution from the defendant cargo interests. The defendants denied that the damage was caused by a general average sacrifice.

Under the general average guarantee given against release of cargo, the relevant terms of the contract of carriage incorporated a Hague Rules clause paramount, and a clause which required general average to be adjusted and settled in accordance with the York-Antwerp Rules 1974.

Actionable fault was governed by the Hague Rules, so that negligence in navigation and management of the ship was an excepted peril (Art IV rule 2(a)). It was therefore irrelevant that the master had been negligent.

However, the defendants submitted that the master had acted unreasonably, and therefore either what he did could not be a general average act, or the element of unreasonableness broke the causal link between the general average act and the damage.

Accordingly, although actionable fault dropped out of the case, parallel allegations of unreasonable conduct remained in issue.

The master's conduct was unreasonable in a number of respects and would have been held to be negligent, had that been material.

The York-Antwerp Rules consisted of lettered and numbered rules. The Rule of Interpretation provided that "except as provided by the numbered rules" the lettered rules should be applied.

Lettered rules stated the general principles. Numbered rules dealt with specific situations.

Rule (A) stated the general principle: "There is a general average act when, and only when, any extraordinary sacrifice ... is intentionally and reasonably made ... for the common safety for the purpose of preserving from peril the property involved in a common maritime adventure."

Rule VII was specific: "Damage which is caused to any machinery and boilers of a ship which is ashore and in a position of peril, in endeavouring to refloat, shall be allowed in general average when shown to have arisen from an actual intention to refloat the ship for the common safety at the risk of such damage ..."

Thus, where the vessel was aground and in peril, the test was actual intent to refloat, not reasonableness.

The plaintiffs had to prove (1) that the damage was done when the vessel was aground and in a position of peril; (2) that the damage was done while trying to refloat; (3) that the damage arose from actual intention to refloat at the risk of such damage.

Those three matters had been proved.

The defendants argued that because of the master's unreasonable conduct the plaintiffs could not say there had been a general average sacrifice.

The master's conduct was remarkably unskilful. He did not make systematic observations or record them. He did not use his anchor intelligently, nor did he use his capacity to ballast the vessel. He did not appear to have directed his refloating efforts by having regard to what he knew about the vessel's position aground, nor with regard to the desirability of keeping the seawater suctions as free as possible.

He appeared to have had no refloating plan. He did not re-trim the vessel to facilitate refloating. He failed to time his refloating efforts to take the best advantage of high water.

He knew he could only run the engine for a limited period before the coolers would become clogged and it would overheat. Yet he ran it when he did not need to do so.

He started his third and later refloating efforts three or more hours before high water so that, as he ought to have appreciated, the engines became overheated at the very time he wanted to use them.

His conduct was not merely unskilful. It was unreasonable.

The defendants sought to rely on his unreasonable conduct in two ways.

First, they submitted that Rule VII of the York-Antwerp Rules should be read as subject to an implicit requirement that the damage should be reasonably caused, in the same way as there was an express requirement in Rule A (and a number of other rules).

That submission was not accepted.

Rule VII was a specific rule and, under the Rule of the Interpretation, overrode the lettered rules. If Rule VII did not require reasonableness, that qualified the general principle in Rule A.

In contrast to "intentionally and reasonably" in Rule A, Rule VII used "shown to have arisen from an actual intention to float the ship". It did not require reasonableness, and no such requirement was implied.

Second, the defendants argued that under Rule VII damage should have been caused in endeavouring to refloat, whereas the damage was caused by the unreasonable conduct.

The general average sacrifice was the damaging of machinery while endeavouring to refloat with the actual intention to refloat at the risk of such damage.

The general average act was the refloating attempt involving the running of engines in such a way as to risk damage.

Damage to the engines was the actual and immediate consequence of that act without intervention of any other cause.

There was no intervening conduct raising a question of causation as between the sacrifice and the actual damage.

Once the general average act had qualified under Rule VII, the claim to general average was established. The only remedy of the aggrieved party was to rely on actionable fault. In the present case the defendants could not do so because of the exceptions in the Hague Rules.

For ship's interests: Richard Aikens QC and Michael Nolan (Clyde & Co).

For cargo interests: Nigel Jacobs and Simon Gault (William A Crump).

Rachel Davies
Barrister

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UK COMPANY NEWS

Brown & Tawse incurs £1.2m loss

By Andrew Bolger

BROWN & TAWSE Group, a distributor of steel and pipeline products, blamed a protracted downturn in all its markets for a turnround from pre-tax profits of £6m to losses of £1.2m in the year to March 31.

Mr Gilbert Black, chairman, said: "There is no doubt that the longevity and depth of the recession has been much greater than governmental prognostications on the general economy have indicated. The group has been particularly badly hit by the collapse of the commercial construction and mechanical engineering sectors."

The final dividend is [illegible] leaving a total cut from 9.5p to 5.7p. Losses per share were 6.7p (earnings 13p).

Turnover dropped 11 per cent to £166m (£187.6m). Sale volumes were 10 per cent down in the first half, and 20 per cent in the second. Margins had been eroded, but the group said there was no sign of loss of market share.

Exceptional charges were £2.9m and included the costs of cutting staff by 334 [illegible] 1,423, and reducing [illegible] number of distribution and administration facilities from 71 [illegible]. They were someway offset by £2.02m (£1.28m) from the sale of surplus property.

Working capital was cut and borrowings lowered to £19.5m (£29.8m), reducing gearing from 58 per cent to 42 per cent.

The core Brown & [illegible] stockholding business saw operating profits fall from £8.85m [illegible] £4.67m. However, [illegible] special products [illegible] – [illegible] ers, fasteners, industrial [illegible] and [illegible] equipment – went [illegible] deeper [illegible] sion, with operating profits down from [illegible] £1.1m.

Mr [illegible] current trading activity remained sluggish, with little or [illegible] hint [illegible] upturn [illegible]. Although [illegible] most optimistic industry forecasts held out hope [illegible] some improvement [illegible] the first quarter [illegible] the current [illegible] would [illegible].

● **COMMENT**

[illegible] stockholding [illegible] business during [illegible] recession, as these results amply [illegible]. The shares initially dropped from [illegible] to [illegible] but moved to close at 70p [illegible] on steps taken by [illegible] hat- [illegible] hatches. They are underpinned by a prospective yield of just [illegible] 10 per cent. Lower [illegible] charges might [illegible] produce pre-tax profits of about [illegible] next year, [illegible] on [illegible] prospective multiple of 17.5, which [illegible] gests ample scope [illegible] recovery. However, [illegible] absolutely [illegible] relief in [illegible] yet. [illegible] does [illegible] moving again, the group's [illegible] construction [illegible] likely to be [illegible] down the [illegible] queue. Strictly [illegible] long haul, even as [illegible] play.

Mills & Allen buy referred to MMC

By Clay Harris

THE outdoor poster industry, which accounts for 4 per cent of UK advertising spending, is to undergo its third investigation by the Monopolies and Mergers Commission in 10 years. A fourth inquiry may also be on the cards.

Mr Peter Lilley, trade and industry secretary, yesterday referred to the MMC the acquisition by [illegible] Allen, [illegible] largest [illegible] contractor, of Brunton Curtis, a smaller rival.

The deal gave Mills & Allen, which is owned by Avenir Havas Media of France, selling rights over more than 39 per cent of the UK market for 48-sheet (20ft by 10ft) posters. *The total includes hoardings owned by KMS for which Mills* [illegible] as sales agent.

The Office of Fair Trading is also considering launching a separate MMC probe of the poster industry as a whole.

In 1987, after Mills & Allen's then-owner, MAI, bought London & Continental Advertising, the MMC required it to reduce its market share to less than 33 per cent by divesting 2,000 sites and promising not to re-acquire them within three years. The undertaking, however, applied only to [illegible], and not to the new owner.

In buying Brunton Curtis, Mills & Allen has regained ownership over most of the sites it divested in 1987.

Mr Philippe Santini, Mills & *Allen's chief executive*, welcomed the referral and said: "We think the market has changed and needs new definitions." It was also welcomed by competitors, including Mr Peter Brown of Multimark, a small poster contractor which has been campaigning for a wide-ranging MMC probe.

The MMC last investigated the poster industry as a whole in 1981, when it required the break-up of a buying consortium, British Posters.

Lydia van der Meer

[illegible] for incoming management team – Tony Hales [illegible] and Michael Jackaman

No repeat of dealing loss Allied-Lyons tells holders

INSTITUTIONAL [illegible] in Allied-Lyons [illegible] by [illegible] over [illegible] group's treasury operations, [illegible] Holden-Brown, [illegible] retiring chairman, [illegible] meeting yesterday, [illegible] Philip [illegible].

The group was [illegible] no repetition [illegible] foreign currency dealings [illegible] occurred [illegible] year, [illegible] said, [illegible] with criticisms from [illegible] – including one [illegible] for [illegible] resignation [illegible] Martin, [illegible] and for[illegible].

Sir Derrick [illegible] warmly applauded [illegible] he urged [illegible] put [illegible] behind them and allow the new [illegible] – Mr Michael Jackaman, chairman, and Mr Tony Hales, [illegible] utive – [illegible] on recovering [illegible] ground and restoring growth.

The current year would not be easy, he said. Early trading had been hit by the recession and poor weather in the UK; but he was confident the group would compete effectively.

Downturn to £5m at Gold Greenlees

By Alice Rawsthorn

GOLD GREENLEES Trott, the marketing services group responsible for the Red Rock cider and Toshiba consumer electronics advertising campaigns, saw pre-tax profits fall from £7.68m to £5.02m in the year to April 30.

Despite the reduction in profits, GGT, which [illegible] fered from the downturn in the US and UK advertising markets, proposes holding its final dividend at 5p leaving the total unchanged at 8.3p.

Mr Mike Greenlees, joint chairman, said GGT had emerged from a difficult year with a "sound, strongly based business" and the board had decided to hold the dividend as a signal of confidence in its long term prospects.

Turnover rose to £286.6m (£199.4m), although operating profits dipped to £5.58m (£6.68m). Earnings per share fell to 19.16p (30.88p). Investment income amounted to £1.73m (£1.42m) but interest payable rose sharply to £2.29m (£424,000) because of the impact of the first full year's interest cost on the acquisition of the GSD&M advertising agency in Texas.

The group's [illegible] shares slipped by [illegible] 140p on [illegible] announcement yesterday.

GGT managed to muster a slight [illegible] in UK profits, despite a downturn [illegible] Man[illegible] businesses. However, profits rose [illegible] the main London agency and Option One Group, GGT's non-advertising interests, performed strongly.

Mr Greenlees said there was no sign of an upturn in the UK market but that GGT's businesses were stable and should benefit from last year's £25m net new business gains.

The group's US agencies suffered from the downturn in the North American advertising market which, said Mr Greenlees, had been "much tougher than expected".

EDS pays £30m for BAe holding in SD-Scicon

By Alan Cane

ELECTRONIC Data Systems, General Motors' information technology subsidiary, yesterday paid about £30m to buy out British Aerospace's stake in SD-Scicon, the UK-owned computing services company.

SD-Scicon has been fighting off competing hostile bids from the US company and from Cray Electronics of the UK.

EDS paid 45p per ordinary share, 102p per convertible cumulative preference share and 6p per convertible deferred share, in line with its bid.

BAe, which paid about 100p per ordinary share when it *bought into SD-Scicon four* years ago, has made no secret of its desire to sell its stake for cash.

There was, however, some puzzlement in the computer industry yesterday about the timing of its sale. The first deadline for acceptance of the EDS offer does not close until next Wednesday.

Samuel Montagu, SD-Scicon's merchant bank, said yesterday that EDS had made "an unbelievably good purchase". SD-Scicon had [illegible] potentially hostile shareholder for four years and the the change made no inherent difference to the value of the company.

SD-Scicon has repeatedly argued that the EDS offer, valuing the company at about £121m, is ridiculously low.

EDS has insisted that its bid represents fair value for the *company which lost £30m last* year in provisions for poorly managed fixed price contracts.

SD-Scicon's share price, which has been close to 60p during the past few [illegible] closed at 47p yesterday, down 4p on the day.

Ivory & Sime approaches £3m after 14% growth

By [illegible] Buxton, [illegible] Correspondent

IVORY & SIME, the Edinburgh-based [illegible] ment [illegible] the [illegible] agement [illegible] replaced [illegible] a 14 [illegible] expansion in [illegible] profits for [illegible] April 30 [illegible].

[illegible] profits [illegible] on turnover which [illegible] per [illegible] (£11.6m). However, mainly [illegible] reduced tax charge, earnings [illegible] rose 35 per cent to 6.69p (4.96p). The final dividend [illegible] again 4.5p making [illegible] unchanged 5.75p.

Mr [illegible] Munro, [illegible] over [illegible] as chairman of [illegible] management committee [illegible] Mr Alex Hammond-Chambers, chairman, gave up [illegible] executive role, [illegible] managing [illegible].

Mr Munro said the full bene[illegible] cutting pro[illegible] had been obscured by two bad quarters for income last [illegible].

Administrative expenses were [illegible] at £9.9m, [illegible] reduced by nearly 20 per [illegible] over the [illegible] offices closed [illegible].

[illegible] funds [illegible] rose [illegible] per [illegible]. *Since* [illegible] *I&S* [illegible] over Argosy Asset Manage[illegible] management group, [illegible] pushed [illegible] under management to £3.1bn.

Mr Munro said full benefit of holding down the increase in costs, plus the acquisition of Argosy, made the prospects for the current year "particularly encouraging."

[illegible] 24 per cent of I&S belongs [illegible] Ensign [illegible] and 14 [illegible] Sumitomo Life [illegible] Japan.

Irish Life offer price fixed at I£1.60 per share

By Richard Lapper

The Irish government yesterday fixed the price for the sale of Irish Life, the life assurance company, at I£1.60 per share. This places [illegible] value of I£481.5m on the company.

On the basis of current expectations directors [illegible] Irish Life intend to recommend a final dividend of 5.44p for the year ending December 31. On this basis the annualised dividend for 1991 would be 8.16p, which would result in an annualised gross yield of about 6.4 per cent at the offer price.

Of 139m shares being offered 89m will be underwritten in Ireland.

Dealings are expected to commence on July 23.

Burtonwood buoyed by property profits

Boosted by property profit, Burtonwood Brewery lifted its pre-tax result from £4.2m to £5.6m in the year to March 31.

Property profits of £3.55m related mostly to the new joint venture with Cafe Inns.

Turnover moved up from £40.3m to £44.5m. Beer volumes increased by 4 per cent.

Earnings came to 23.6p (15.2p) per share. The final dividend is 3.54p, for a total of 4.24p (3.98p).

Fleming Intl High [illegible] value down

At May [illegible] Fleming International High Income Investment [illegible] fell [illegible] per [illegible].

The ordinary [illegible] fell [illegible] per cent, from [illegible] but [illegible] prior entitlement of [illegible] rose [illegible] per cent, from 54.2p to 61.3p.

Gross income totalled £6.59m (£5.06m) and earnings per share came to 3.56p (2.57p). The final dividend is 1.705p for a total of 3.5675p (2.35p).

DIVIDENDS ANNOUNCED

	Current [illegible]	Date of payment	Corres-ponding dividend	[illegible]	Total [illegible]
Brown & Tawse ......fin	2.85	Aug 8	[illegible]	5.7	[illegible]
Burtonwood ......fin	3.54	-	[illegible]	[illegible]	[illegible]
Dewhurst ......int	0.8	Oct 1	0.8	-	1.7
Druck § ......fin	3.8♥	Sept 16	5.6	[illegible]	8.2
Gold Greenlees ......fin	5	Oct 31	[illegible]	[illegible]	8.3
Ivory & Sime ......fin	4.5	Sept 2	[illegible]	5.75	5.75
Markheath Secs ......fin	2	Oct 1	4	4	[illegible]
[illegible] ......[illegible]	1.5	Sept 9	[illegible]	2.5	4.16
[illegible] Electric ......fin	11.38	[illegible]	-	11.38	-
[illegible] ......int	0.616	Sept 27	0.616	-	2.123
[illegible] ......int	[illegible]	Aug 19	3.2	-	5
Security Service ......int	1.291	Sept 27	1.291	-	4.08
Stirling ......fin	1	-	1	1.5	1.5
UMECO § ......fin	2.24	Aug 14	2.24	[illegible]	3.815

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♥For nine months.

Diamond sales down 16 per cent

By David Blackwell

DIAMOND SALES by De Beers' Central Selling Organisation fell by 16 per cent in the first half of this year from the record $2.48bn in the 1990 first half.

However, this year's first-half figure of [illegible]08bn was above [illegible] of around $1.85bn. Sales [illegible] "a satisfactory level when judged against generally subdued economic conditions", said De Beers, which controls about 80 per cent of the trade in rough (uncut) diamonds. "The international picture is flat rather than poor."

The company said yesterday that while sales in the first half of last year reflected strong demand, the Gulf war and its aftermath had hit sales both in the second half last year and this year's first half.

In addition, CSO clients had had problems obtaining foreign exchange for sales in India, which takes about 10 per cent of the world's rough diamonds. The latest figures do not include $110m from sales to Indian clients which had been blocked by lack of foreign exchange.

Mr Vincent Tattersall, analyst with Williams de Broe, stockbrokers, said the decline in sales reflected a combination of factors, including high interest rates; the Gulf war which had led the CSO to restrict sales to Israel; and the problems in India, which had in any case bought too many stones in last year.

In addition, he said it looked as though the Japanese demand for finished diamonds was beginning to slow.

Mr Michael Spriggs of Warburg Securities, the financial services group, said the latest figures were still within the high range of the past four years, which have seen first half sales of well over $2bn and full-year sales of more than $4bn. He believed the this year's total sales would not fall far short of $4bn.

Mr Tattersall, however, expects full-year sales to retreat to $3.75bn.

In the 1990 second half sales were 31 per cent below first-half sales, and in 1989 34 per cent lower.

BP makes 130m-barrel North Sea oil find

By Deborah Hargreaves

BRITISH PETROLEUM yesterday announced [illegible] Sea oil find of 130m barrels located near [illegible] previous finds, some 30 km south-east of the [illegible] field, [illegible] brings the estimated reserves for the area to 660m barrels.

"Confirmation that Mungo is a [illegible] find brings reserves in these fields to a level where we can now look seriously [illegible] an integrated development scheme," said Mr John Browne, chief executive of BP Exploration.

While the oil discovery is not on the level of major accumulations such as the giant Forties field, which is estimated to contain 2bn barrels, it is a sizeable find as the North Sea is reaching maturity.

The company has reported 6 oil finds in the same area as well as the Mungo discovery. The Monan and Medan finds [illegible] 60m barrels between them, along with [illegible] earlier discoveries: Marnock, Erskine and Machar.

The company said that a phased sequence of development was likely and that discussions with partners would begin shortly to determine development options and timing. The development of the field could begin in 1994.

BP would have a claim on some 400m barrels of the estimated reserves and partners include Hamilton Oil and Gas, Ultramar, Fina, Phillips and Agip.

The field is called a diapir province because it is associated with sub-surface salt [illegible] as diapirs. Though widely found in other oil provinces, but these structures are unique to this area in the North Sea.

Soviet sales 'have depressed metal prices'

By Kenneth Gooding, [illegible] Correspondent

METAL SALES from the Soviet Union and former eastern bloc countries to the west – or in some cases cuts in imports – had a pro[illegible] impact on market balances in [illegible] and have weighed heavily on prices in the first half of this year.

Making these points in its latest report, the Metals & Minerals Research Services consultancy group suggests that [illegible] trade flows "have been more bearish than many commentators had expected".

For example, copper imports to the west from the eastern bloc jumped from 140,000 to 250,000 tonnes last year and "it was principally the share increase in eastern bloc sales (occasioned by falling domestic demand and the need for foreign exchange) that prevented another big metal shortfall (in the western markets in 1990)", the report says. MMRS forecasts that eastern bloc net exports of copper will rise again to 260,000 tonnes this year.

Soviet aluminium shipments to the west recently have been at 20,000 tonnes a month, MMRS points out. Eastern bloc aluminium imports rose from 310,000 tonnes in 1989 to 450,000 tonnes last year and could well continue at that level in 1991.

It says the lead market moved into surplus in 1990 because of a "flood of Soviet material". In 1989 the eastern bloc imported 3,000 tonnes of lead. Last year it exported 8,000 tonnes and MMRS forecasts it will export another 6,000 tonnes in 1991.

The Soviet Union, in particular, has for years been an important player in the western nickel markets. Net exports from the eastern bloc were maintained at 81,000 tonnes last year and MMRS suggests: "The net influence of east-west trade in 1991 will probably be bearish, especially if Cuban shipments return to more normal levels."

MMRS says that the continued absence of Soviet buying of refined tin "has delayed the point at which the market approaches some form of equilibrium". Eastern imports of western tin, 9,000 tonnes in 1989, dropped to zero last year and MMRS forecasts the eastern European countries will export up to 5,000 tonnes in both 1991 and 1992.

There was also a complete reversal of trade in zinc. Eastern bloc imports of 4,000 tonnes in 1989 turned into exports of 4,000 tonnes last year and exports are expected to total 3,000 tonnes in 1991.

MMRS suggests that the unexpected [illegible] of base metals from the eastern bloc are likely to send prices down by an average of 20 per cent in real terms this year, taking them close to their all-time lows of 1986. An incipient revival of the world economy should see real prices recover by a relatively modest 10 to 11 per cent in 1992 although copper and zinc could take longer to [illegible] off their structural su[illegible] surpluses.

"Metals Analysis [illegible] Outlook," quarterly. £400 a year from MMRS, [illegible] Henry Street, Bath, Avon, BA1 1JT.

Problems pile up at Russian nickel plants

Overmanning and lack of finance are hampering progress, writes Bruce McMichael

BORIS YELTSIN'S election as president of the Russian Federation has enabled the managers of the Kola Peninsula's nickel smelters and communities in north-west Russia to breathe more easily.

Mr Yeltsin recently signed a decree giving all enterprises in the penisula, including the nickel smelters of Severonikel and Pechenganikel a larger share in their own profits.

However, this decree is in contrast to Soviet President Mikail Gorbachev's recent statement that the Soviet Union would not be turned into a "Klondike", to be stripped of valuable resources by foreign investors.

The Yeltsin decree allows local industrial and manufacturing concerns to sell 15 per cent of annual production, with profits going directly to the plant and 5 per cent given to the local authority to spend on social projects for the local community.

Previously just 1 per cent of output was sold for the benefit of the nickel plants, with the remaining necessary finance coming from various central organisations, including the Ministry of Metallurgy.

Speaking in Monchegorsk recently Mr Yury Ivanovich Igolkin, deputy head of technology and development at Severonickel, said: "We desperately need the extra revenue to pay for environmental protection and new plant. Finance from the Ministry of Metallurgy has not been received this year".

Meanwhile, environmental problems at both Severonikel and Pechenga are causing both the company and local communities serious worries.

Local community groups on Kola are also voicing concern and will increasingly be able to affect policy decisions. At a state level Outokumpu, the Finnish metals group, is holding talks with Norilsk, the Soviet state combine that operates the two nickel smelters, on the replacement of a smelter at Pechenga.

A senior Severonickel engineer admits that the plant emits 200,000 tonnes of sulphur dioxide each year, but a Finnish official says the true figure is three times greater

Annual production at Severonikel averages 140,000 tonnes of refined nickel, 110,000 tonnes of copper in concentrate, and 3,000 tonnes of cobalt. Operating costs, not including capital replacement are estimated at R1bn.

This is a very approximate figure, however, as power costs are unquantified and other costs, from wages to stock holding, are both unquantified and well below world prices. The International Monetary Fund assumes Soviet oil prices to be 20 per cent below the world average, and its gas prices 21 per cent below.

Meanwhile, operations at both Kola Peninsula smelters were affected during the recent strikes at the Norilsk mines and Baltic ports. Mr Ivan Ivanovich Baryskov, the senior Severonickel engineer, commented: "We have sufficient nickel ore stockpiles to last 12 months, but any disruption is unwelcome".

Referring to the recent civil disruption in the Baltic States, in particular at Riga and Tallinn, the capitals respectively of Latvia and Estonia, a senior official hinted at serious shipping problems if either of those two states were to gain independence. These could be mitigated using atomic ice-breaking vessels to clear a regular path from the port of Murmansk, he said.

Concern over the environment in the Kola Peninsula is resulting in concerted efforts among the local community and neighbouring Scandinavian countries to reduce emissions of sulphur dioxide. The pollution comes from the Severonickel and Pechenganikel smelters.

Severonickel's Mr Baryskov said the plant expelled 200,000 tonnes of sulphur dioxide into the atmosphere every year. However, a senior Finnish mining official considered that a conservative figure, putting the true output at 610,000 tonnes a year.

"We have plans in hand to deal with the problem, but not the finance," Mr Baryskov said. "We need to reinvest 3 per cent of production revenue to keep control of emissions. Some $13m is needed immediately [illegible] pollution-controlling plant. We are waiting [illegible] finance from Moscow."

Local environmental groups in Monchegorsk are putting pressure upon the refineries to reduce emissions. Their campaign was aided on June 3 by two Norwegian protestors who chained themselves to the copper smelter workshop. Both Norway and Finland suffer badly from acid rain pollution.

The plant is heavily overmanned, employing 12,000, including 1,500 engineers. And it has a burdensome social responsibility for the town of Monchegorsk (population 60,000) which could [illegible] would-be investors. "The [illegible] belongs to the plant," was how Mr Baryskov put it.

Severonikel is assessing the possibility of setting up manufacturing operations for downstream products at the smelter site. Mr Vasili Hudjakov, general director at Severonikel and other senior officials have recently visited Finland, Belgium, Germany, and France to discuss the possibility of organising a joint venture for manufacturing nickel-cadmium batteries.

"We have the raw materials, but no detailed technical knowledge. [illegible] need the revenue from value-added products," [illegible] Sulinov [illegible] Commission.

Joint venture operations are the favoured method of setting up [illegible] in the [illegible] partners manpower, resources, limited finance and "payment in kind' such as favourable rates for using local infrastructure, according to an official at VZG, the state geological institute.

The institute is actively marketing itself and has developed investment plans such as the $32bn Vostok Programme to encourage investors to develop resources in east Siberia.

Although the Soviet Union is competing with [illegible] former [illegible] associates, it has a vast untapped [illegible] undiscov[illegible] that will push it to [illegible] when [illegible] mining-dollars are being dished out.

Geographically, countries bordering the Soviet Union are clearly best placed to take advantage of developing mining ventures. European countries such as Finland and Sweden and in the Far East Japan and South Korea are already active. Former Comecon countries including Bulgaria and Czechoslovakia are not keen to develop mining joint ventures, neither are they financially or politically capable of doing so.

Land ownership problems are complicated by the past system of the All-Union Federation owning all land and underground resources. At present it is unclear who is responsible for signing over ownership, although the increasingly autonomous republics have a strong case.

Various All-Union ministries, including those for metallurgy and geology, are discussing these problems. However, further confusion exists between the Russian Federation and All-Union officials. Both sides are standing their ground and, as one senior official from Rosveshgeo, the Russian Federation mineral resource committee, said: "Confrontation is a factor of most mining policy decisions."

However, confrontation is an added complication that foreign investors wish to avoid.

● Soviet nickel shipments to the West have been normal recently, according to an official of Raznoimport, the agency that handles much of the Soviet Union's non-ferrous metal exports, reports Reuters. "There are no delays in Soviet shipments," he said. "We have a natural gap in the market."

Traders have attributed recent falls in London Metal Exchange warehouse stocks to delays of Soviet deliveries into Rotterdam. But physical shipments from Northern Soviet ports always tailed off at this time of the year, resuming in late August/early September, the Raznoimport official said.

CAP reform may hit feed market

By Our Commodities Staff

REFORM OF the European Community's common agricultural policy, together with the completion of the single market, is likely to bring profound structural change to the European animal feed market, a new report suggests.

The $40bn European compound feed industry today accounts for just over 60 per cent of all raw materials marketed for use as animal feed in the European Community.

However, demand for livestock products shows signs of reaching saturation in many EC member states, the report, edited by agricultural economist Mr Robert Bojduniak, notes.

The trend towards declining consumption is likely to be exacerbated by reforms of the CAP designed to curb livestock and cereal production. This, in turn, will mean further rationalisation in the feed industry.

The compound feed industry at present operates within, rather than across, the national boundaries of member states – today, only one group, owned by the oil giant, BP, can truly be described as transnational.

However, as smaller nationally-based companies go to the wall in increasing numbers, those remaining are likely to [illegible] establishment of many more strategic marketing alliances and the pooling of research and development resources, rather than significant cross-border acquisitions.

Eurofeed 91: The New Order. Lakebourne, £190;103-109 Lavender Hill, London SW11 5QL.

Jamaica fears banana squeeze

JAMAICA WAS concerned about its banana and sugar exports to the European Community, primarily the UK, after the introduction of a single market in 1992, Jamaican Agriculture Minister Seymour Mullings said yesterday, reports Reuters. He noted that the European Commission had not yet presented any proposals to protect market access for Jamaica and other African, Caribbean and Pacific members of the Lomé Convention, a trade and aid pact.

"The future is very uncertain. . . it's a major concern," Mr Mullings told a press brief[illegible] in London. Jamaica fears [illegible] EC market will be flooded [illegible]th cheaper bananas from Latin America, with which small-scale Jamaican banana growers are unable to compete.

WWF's fish stocks warning

DRASTIC MEASURES will have to be taken by fishermen, their industries and national governments if Europe's fishery resources are not to be damaged irreparably, the World-Wide Fund for Nature (WWF) believes, writes our commodities staff.

In a report aiming both to inform and to signal WWF's greater involvement in lobbying for change, the conservation organisation suggests action including: proper controls on fishing in the north-east Atlantic; stricter enforcement of quotas by the EC; and a multi-species' approach to management.

A General Overview of European and UK Fisheries, £2; WWF, Panda House, Catteshall Lane, Godalming, Surrey

Mexico struggles to solve self-inflicted sugar problem

Damian Fraser explains how the country landed itself with a big surplus after a year of production deficit

LAST MONTH'S surprise news that Mexico was about to export [illegible] tonnes of sugar to China illustrated the cur[illegible] in Mexico's [illegible] sector. And the sharp fall [illegible] sparked in sugar futures prices highlighted the impact this has had on the world market.

In any normal circumstances Mexico would be expected to be a net importer of sugar this year; consumption is likely to be about 4.3m [illegible] production about 3.6m tonnes.

However in the past [illegible] the Mexican public and private sector has been importing sugar furiously, partly [illegible] government sugar agency, Azucar, mistakenly feared a sugar shortage and partly because the private sector thought [illegible] could profit from buying [illegible]tively cheap world market sugar and selling it in the domestic market.

As a result, [illegible] the end of 1990 Mexico had about 1.1m tonnes of [illegible] owned by the private sector and 600,000 tonnes by Azucar). This year Azucar has contracted to buy a further 630,000 tonnes, and [illegible] private sector about 300,000 tonnes. Along with existing stocks of 1.1m tonnes, and domestic production of 3.6m tonnes, this would give total supply of 5.6m tonnes, about 1.3m tonnes more [illegible]

The government in [illegible] yet [illegible] decide[illegible] what to [illegible] with the excess stocks (well over double what would normally be needed). However Mexico's Ministry of Budget and Planning [illegible] recently acquired authority over sugar from the Ministry of Agriculture, and the department's hard-nosed economists are thought to be considering three possibilities. First the government may continue to hold onto the sugar and thereby bear the [illegible] financial and storage costs; second it may re-export some of the stocks; or third it could sell the sugar [illegible] a discount in the Mexican market.

The third option is the most difficult politically. About 250,000 families depend directly on the cultivation of sugar-cane, or are employed by cane growers and sugar mills. They have already been hit by a substantial reduction in the real peso price of sugar in the past five years, which has contributed to a fall in production of 15 per cent in the past four years.

US [illegible] were [illegible] yesterday [illegible] Independence Day holiday

The mill owners, many of whom bought the sugar mills from the [illegible] year, are now heavily in [illegible] and [illegible] with stocks that they can only sell at a heavy discount. They face a strike on July 10, because about 10 of the 64 have failed to pay the [illegible] union the [illegible] benefits that have come to be expected (such as [illegible], owing, it is claimed, to their financial difficulty.

The financial troubles are partly a result of the decision to dismantle the state monopsony Azucar, which until two years ago bought all the sugar from sugar mills, and sold it in the market. Thus the sugar mills faced no financial risk – they could sell all the sugar they wanted to at the going price to Azucar, w[illegible] they wanted to.

That cosy arrangement has now ended and the sugar mills are responsible for selling [illegible] own sugar. The snag is that the Mexican sugar harvest lasts from December to July. Thus the mills for the first time have to face the financial costs of storing their sugar from July to the end of the year. Since the har[illegible] just [illegible] close, [illegible] are now at their highest, and the debts – by one estimate collectively over $700m – at their greatest.

Azucar is largely to blame for the current oversupply of sugar. In 1989 the government replaced sugar quotas with variable tariffs. The Ministry of Agriculture set a reference price for, say, refined sugar of $450 a tonne; thus, [illegible] example, since the August international price is now $305 a tonne, the tariff is $145 a tonne. [illegible] Mexican internal price of $500 a tonne, which, when accounting for transport costs, is equivalent to the international price plus Mexican tariff.

The consumer price is higher (about [illegible] a tonne), and [illegible] some middle men and sugar mill owners thought th[illegible] could profit from importing sugar or sugar cane. The trouble was that Azucar, remembering the experience in 1989 when Mexico faced a sugar shortage, also started to import heavily, to fill the expected sugar deficit of 1.1m tonnes for 1990.

The Ministry of Budget and Planning is most unlikely to bail the troubled sugar mills out, [illegible] to reverse the liberalisation of the sugar industry carried out in the past few [illegible]. However that does not mean that it will sit by and do nothing. It will probably remove some of the current incentives to import sugar and sugar-cane. It may start offering the mills trade loans in place of industrial loans and give them some bridging finance.

In the meantime it will hope that the structural reforms implemented over the past couple of years improve productivity. [illegible] agriculture ministry has largely removed the cross-subsidy to inferior sugar cane producers, whereby every producer received one price irrespective of the quality of his product. The ministry has also started to encourage sugar cane growers to increase the size of the plots.

These reforms should help the sugar producers in the event of a free trade agreement being reached between Mexico and the US and Canada. Even today, Mexico produces refined sugar at 19 cents a lb compared with between 21 and 2[illegible] cents a lb in the US, according to a study by the US Department of Agriculture.

All this will seem far away to sugar-cane [illegible] in the next [illegible] months. Facing over-supply th[illegible] is largely not of their own making and inefficiencies in distribution that largely are, they no doubt are looking back wistfully to the days of government control and subsidies.

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel prices eased during late kerb trading on the LME as profit taking emerged. However, high premiums were maintained [illegible] August delivery metal. Dealers said the LME's decision late Wednesday to call in traders' cards to monitor members' positions may lead to an easing in August tightness. Other base metals were quiet because of the Independence Day holiday in the US, which some markets are continuing today. LME aluminium traders said that as the market's [illegible] had been mainly due to good buying interest out of the US it would be unlikely to see much activity before Monday.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	[illegible]	[illegible]
Brent Blend (dated)	[illegible]	-0.75
Brent Blend (Aug)	$18.65-[illegible]	[illegible]
W.T.I. (1 pm est)	N/A	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	
Gas Oil	[illegible]	-1
Heavy Fuel Oil	$85-87	+2
Naphtha	$185-187	-½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$369.55	+0.4
Silver (per troy oz)♣	449.0c	+5.0
[illegible] (per troy oz)	$379.75	-1.25
Palladium (per troy oz)	$96.75	-0.25
Aluminium (free market)	$1335	+5
Copper (US Producer)	107.0c	
Lead (US Producer)	33c	
Nickel (free market)	414c	+3
Tin (Kuala Lumpur market)	15.48r	+0.03
Tin (New York)	265.0c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	110.32p	+0.92*
Sheep (dead weight)†	134.56p	17.70*
Pigs (live weight)†	70.83p	-1.63*
London daily sugar (raw)	$260.0	+3.0
London daily sugar (white)	$321.0x	+4.0
Tate and Lyle export price	£272.5	+1.5
Barley (English feed)	£110.25z	
Maize (US No. 3 yellow)	£183.0u	
Wheat (US Dark Northern)	£100.0	
Rubber (Aug)♥	55.25p	-0.25
Rubber (Sep)♥	55.75p	-0.25
Rubber (KL RSS No 1 Aug)	230.5m	-0.5
Coconut oil ([illegible]	[illegible]	+20
Palm Oil (Malaysian)§	$322.5u	-2.5
Copra (Philippines)§	[illegible]	+10
Soyabeans (US)	£158.0	
[illegible] "A" Index	82.00c	+0.1
Woltops (64s Super)	387p	

£ a tonne [illegible] otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			[illegible]
	[illegible]	[illegible]	High/Low
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	711	[illegible]	[illegible] 710
Jul	730	759	739 730

Turnover: 5095 (8804) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 3 772.47(769.65) 10 day average for Jul 4 777.80 (781.43)

COFFEE – London FOX			£/tonne
	[illegible]	[illegible]	[illegible]
Jul	[illegible]	535	539 533
[illegible]	[illegible]	[illegible]	[illegible]
Nov	579	585	[illegible]
Jan	601	605	[illegible]
[illegible]	622	625	627 620

Turnover:1565 (3549) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul.3 : Comp. daily 65.35 (65.71). 15 day average 65.39 (65.37)

SUGAR – London FOX			($ per [illegible])
Raw	Close	Previous	High/Low
[illegible]	230.20	[illegible]	230.00 227.00
Oct	196.00	194.60	196.00 194.80
[illegible]	191.60	[illegible]	186.00
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	High/Low
Aug	[illegible]	[illegible]	[illegible]
Oct	289.0	289.0	289.0 287.0

Turnover: Raw 519 (448) lots of 50 tonnes. White 140 (1981)
Paris- White (FFr per tonne): Aug 1594.75 Oct 1573.66

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Aug	18.69	18.67	18.75 18.61
Sep	18.81	18.81	18.87 18.78
Oct	18.87	18.90	18.95 18.87
Nov	18.95	19.00	18.93 18.93
Dec	18.88	18.95	18.90 18.90
Jan	18.83		19.00 19.00
IPE Index	18.75	18.79	

Turnover 16820 (20621)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Jul	175.00	175.50	175.25 174.25
Aug	176.00	177.00	176.50 175.25
Sep	177.25	178.25	178.00 177.00
Oct	179.25	180.00	179.50 178.50
Nov	181.25	181.75	181.75 180.50
Dec	182.00	182.50	182.50 181.50
Jan	179.25	179.50	179.50 179.00
Mar	171.25	171.50	171.50

Turnover 15819 (18174) lots of 100 tonnes

Fruit & Vegetables
Grapefruit is in season at 20-35p each for white varieties and 45-50p each for pink varieties reports the FFVIB. Bananas are good this week at 50-55p a lb ,along with kiwifruit at 15-25pm each, lemons at 15-25p each and oranges at 12-25p each depending on the size. Primo cabbage at 30-45p a lb. Spring greens are at 25-45p a lb together with mushrooms at 60p-£1.10 a ½ lb depending on variety,and cauliflower at 50-60p each. New crop potatoes are at 25-34p a lb for Jersey royals and 22-30p a lb for English new crop. British and Dutch round lettuce at 25-35p each and iceberg at 50-75p each.Tomatoes at 50-60p lb .

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,327 lots
[illegible]	1330-1	1327-8	1331	1331-2		
[illegible]	[illegible]	1359-60	[illegible]	[illegible]	1366/8	[illegible]
Copper, Grade A (£ per tonne)						Total daily turnover 24,605 lots
Cash	[illegible]	[illegible]	[illegible]	1407-8		
3 months	[illegible]	[illegible]	[illegible]	1422-5	[illegible]	132,191lots
Lead (£ per [illegible])						Total daily [illegible] 2,682 lots
Cash	344.5-5.5	344-4.5	[illegible]	342.5-3		
[illegible]	[illegible]	349-50	350/348	347-8	361-2	16,668lots
Nickel ($ per tonne)						Total daily turnover 4,751 lots
Cash	8900-50	8875-900		8900-25		
[illegible]	[illegible]	[illegible]	[illegible]	8760-65	8745-55	[illegible]
Tin ($ per tonne)						Total daily turnover 1,636 lots
Cash	5860-70	5865-90		5875-85		
3 months	[illegible]	5775-7	5775/5765	5765-70	5760-70	7,609lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,358 lots
Cash	1069-71	1068-70		1071-3		
3 [illegible]	[illegible]	1093-4	[illegible]	1095-6	1095-7	27,576lots

LME Closing £/$ rate:
SPOT: 1.6050 3 months: 1.5958 6 months: 1.5705 [illegible]

POTATOES – London FOX			£/tonne
	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	109.0	109.0 105.5
[illegible]	[illegible]		114.5

Turnover 7[illegible] lots of [illegible] tonnes.

SOYAMEAL – London FOX			[illegible]
	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	
Dec	[illegible]	[illegible]	

Turnover 0 (27) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Jul	1595	1610	[illegible] 1590
Aug	1580	1595	[illegible]
Oct	[illegible]	1650	1625 [illegible]
[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	1680	[illegible]

Turnover 207 (317)

GRAINS – London FOX			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Nov	115.40	115.70	115.50 115.40
Jan	[illegible]	[illegible]	118.10
Mar	122.40	122.65	122.50
Barley	[illegible]	[illegible]	[illegible]
[illegible]	114.47	[illegible]	[illegible]

Turnover: Wheat 34 (80), Barley 1 (0).
Turnover lots of 100 tonnes.

[illegible] – London FOX					
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indx	142.81	143.08			
Jul	[illegible]	143.90	143.30	[illegible]	[illegible]
Sep	[illegible]	144.50	[illegible]	[illegible]	[illegible]
Dec	144.10	145.00	144.70	144.10	65

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Jul.4	Jul.3	mnth ago	yr ago
	[illegible]	1745.4	1738.9	1657.3
DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul.3	Jul.2	mnth ago	yr ago
Spot	127.82	[illegible]	129.91	134.37
Futures	123.62	[illegible]	[illegible]	135.66

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	
Opening	368.50-370.00	
Morning fix	369.40	220.055
Afternoon fix	369.25	229.952
Day's High	[illegible]370.40	
Day's low	[illegible]369.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
[illegible]	5.39	[illegible]	5.31
2 months	[illegible]	12 months	[illegible]
3 months	[illegible]		

Silver fix	p/fine oz	US cts equiv
Spot	279.50	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	294.80	463.85
[illegible]	300.15	478.45

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
[illegible]	369.25-370.25	[illegible]
Maple leaf	377.25-378.25	[illegible]
New Sovereign	88.00-90.00	55.45-55.95

TRADED OPTIONS				
Aluminium (99.7%)	[illegible]		Puts	
Strike price $ tonne	Sep	[illegible]	[illegible]	[illegible]
[illegible]	115	151	10	[illegible]
1250	40	97	42	83
1450	14	44	105	[illegible]
Copper (Grade A)	Calls		Puts	
2150	[illegible]	142	[illegible]	65
2250	72	92	[illegible]	112
2250	[illegible]	55	119	[illegible]
[illegible]	[illegible]	Nov	[illegible]	[illegible]
500	58		2	
550	22	48	19	19
[illegible]	5	[illegible]	49	19
Cocoa	Sep	[illegible]	[illegible]	Dec
675	43		[illegible]	
600	27		17	
625	16		31	29
[illegible]	Aug	Sep	Aug	[illegible]
1850	30	78	18	37
[illegible]	10	41		100
	3	31	3	

LONDON STOCK EXCHANGE

Equities move forward in thin trade

A SQUEEZE on marketmakers' positions helped the UK equity market to advance yesterday, despite an overnight setback in Tokyo and the holiday closure in New York. Genuine investment interest was thin, but confidence increased that base rates will be cut again shortly, with some sources speculating that UK rates could be cut ahead of next week's policy meeting at the Bundesbank.

Traders admitted to some surprise at the gain of more than 22 points in [illegible] FT-SE Index yesterday, but pointed out [illegible] marketmakers had [illegible] good [illegible] of [illegible] FT-SE [illegible] week and [illegible] meet their commitments. With Wall Street closed yesterday for the Independence Day holiday and unlikely to provide [illegible] definitive lead today, UK institutions in the main kept out of the London market and mar[illegible] were left to compete with one another for [illegible].

Account Dealing Dates		
*First Dealings:		
June 17	Jul 1	Jul 15
Option Declarations:		
Jun 27	[illegible]	Jul 25
Last Dealings:		
Jun 28	Jun 12	Jul 26
Account Day:		
Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 8.30 am two business days earlier.

The [illegible] early on when a large UK securities house put in train a £30m buying programme. This demand helped counter-balance the bearish implications of the further setback [illegible] Tokyo [illegible] night [illegible] of [illegible] comments on UK economic [illegible] from the Organisation for Economic Co-operation and Development.

Demand for blue chip stocks was quickly translated into [illegible] squeeze [illegible] futures as the investment house concerned tried to keep ahead of gains in the underlying equity sector.

FT-SE 100 listed shares moved steadily higher and, with [illegible] in sight, [illegible] market [illegible] day's [illegible]. The final reading put the FT-SE Index at 2,470.4 for [illegible] net gain on the day [illegible] 22.2.

Seaq-reported [illegible] trading volume was low, however, [illegible] 353.8m shares against 459m in the previous session, and there was little doubt that [illegible] of yesterday's [illegible] represented [illegible] business.

Equity strategists were [illegible] in [illegible] response [illegible] market's [illegible] climbing back above the FT-SE 2,450 mark. Daily retail or customer [illegible] in UK equities has remained [illegible] week, according [illegible] data from the Stock Exchange.

The [illegible] relative buoy[illegible] contrasted [illegible] further downgrades [illegible] corporate prof[illegible] by City analysts [illegible] chart) [illegible] well as by [illegible] gloom in British industry. Lucas Industries reported that second half profits would [illegible] heavily, [illegible] the Society of Motor Manufacturers revealed that new car sales in the UK are at their lowest level for the past 21 years.

Hopes of another cut in base [illegible] have improved, however, [illegible] some analysts suggesting [illegible] UK [illegible] might [illegible] sharply this time, [illegible] an effort [illegible] stimulate [illegible] economy. Also encouraging for the stock market are signs in recent opinion [illegible] of a revival [illegible] fortunes [illegible] Mr Major's government.

But the near term outlook for equities [illegible] still regarded as highly uncertain. "Doubts remain over the strength of [illegible] London equities," commented Mr Trevor Laugharne [illegible] Securities. He [illegible] that the [illegible] per cent yield on the FT-A All [illegible] Index [illegible] vides support for equities but points to disappointing company results, including GEC's decision this week on an unchanged di[illegible].

The most significant worry for London continues to be the uncertainty over prospects for the Tokyo market which remains perilously close to its testing level of Nikkei 23,000.

Securicor profits shock

INTERIM figures from Securicor, whi[illegible] together with its subsidiary Security Ser[illegible], holds a 40 per cent stake in Cellnet, the mobile phones business, shocked the market and sent shares of both companies sharply lower.

The thinly-traded Securicor ordinary shares closed 53 off at 560p, while the "A" shares retreated 60 to 459p. Security Services weakened 55 to 364p.

Profits at Securicor dropped to £13.47m from £20.93m, while [illegible] Security [illegible] in [illegible] against £22.6m last time. Analysts had been looking for Securicor to turn in profits in the region of £25m.

One specialist said the fig[illegible] had no redeeming features, other than the maintained dividend. Full-year forecasts were chopped from £50m-plus to a range of £30m to [illegible]. One analyst raised the possibility of the Securicor companies selling their Cellnet stake [illegible] BT. An [illegible] could be a rights issue.

Lucas upset

Lucas Industries lost ground after the aerospace and automotive group warned that second-half profits would [illegible] only half the £55.3m reported for the interim period. The warning came only days before [illegible] were due to visit the company. The stock receded 8 to 128p on hefty turnover of 5.6m shares.

County NatWest predicts full year profits of £82.5m, down from its previous estimate of £117m, while Charterhouse Tilney forecasts £80m. GKN shed 7 to 331p in sympathy.

Dowty gave up 9 to 1[illegible]p as several brokers reduced their [illegible] to around £49m from [illegible] the current year.

Waters in demand

There was heavy trading in North West Water and South [illegible] Water after County [illegible] West included the two stocks in its prestigious "County [illegible]" list of best buys.

County [illegible] water had [illegible] one [illegible] the worst performing [illegible] this year, reflecting profit-taking and political [illegible] regulatory worries. The two favoured stocks, South West and North West, are [illegible] to 12-month lows. County said [illegible] with the Water [illegible] being unravelled, and early signs that the government may be [illegible] its decline in the opinion polls, [illegible] "could [illegible] bounce".

North West, [illegible] turnover reached a heavy 5m, settled a net 5 up at 273p in spite of some determined selling by [illegible] broking houses, while South [illegible] advanced 10 [illegible] 268p on 981,000 shares.

SmithKline Beecham benefited from securities [illegible] enthusiasm for the stock. Hoare Govett recommended the shares, with analyst Mr James Culverwell arguing that the [illegible] new anti-depressant drug Seroxat is a potential £600m earner and that there are [illegible] in the pipeline. SmithKline rose 22 to 791p.

Selling in the US depressed Reuters, which slipped 10 to 758p. It [illegible] affected by continuing worries [illegible] Globex, its new international after-hours [illegible] trading system.

Speculation resurfaced that Hanson would soon launch [illegible] for ICI. [illegible] lost 1¼ to [illegible] and ICI rose 6¼ to 1284p.

A series of encouraging drilling results from blocks 23/16 and 22/20 in the [illegible] North Sea, which led specialists [illegible] highlight BP's impressive record of successful exploration operations recently, boosted BP shares [illegible] to 333p.

The latest find, labelled the [illegible] field [illegible] contain reserves of 130m barrels of oil. Shell suffered in comparison with BP, and could [illegible] only a minor gain to [illegible], restrained by fears that it may have to provide substantial amounts of money for environmental costs.

[illegible] to news that Mr Tan Sri Khoo Teck Puat had increased his holding in Standard Chartered by 1.04 points (or 2.22m shares) to [illegible] the period April 19 to July 3. Standard [illegible] settled 3 firmer at 340p. A stock shortage was said to have been responsible for the gain of 12 in Barclays to 445p. Abbey National, still [illegible] by a UBS buy [illegible], added 9 at 278p.

Greenall Whitley firmed 2 to 318p as Mr Martin Hawkins of Carr Kitcat & Aitken recommended the shares. He said: "The [illegible] changed focus and is making the right noises. The shares look cheap."

Dixons moved [illegible] 4 to 212p [illegible] Court [illegible] of the final results due next Wednesday. Smith expects profits of £75m, which is at the top of [illegible] of analysts' [illegible] and compares with £80m last time. It added that if [illegible] decided to include a write-back on its surplus warranty provision, profits could easily be higher.

J. Sainsbury rose [illegible] to [illegible] following [illegible] positive annual general meeting statement [illegible] Lord Sainsbury, the chairman, [illegible] the current year had started well and the company was continuing to gain market share.

[illegible] Supermarkets added [illegible] at 273p as County NatWest recommended the shares [illegible] from £61m, and for [illegible] from £74m.

Kwik Save was up 2 at 587p [illegible] County [illegible] suggestions [illegible] inadequate insurance [illegible] for [illegible] Newport warehouse, which was recently burned down, were untrue.

Hillsdown put on 4 to 231p as Hoare Govett reiterated its buy recommendation in expectation that the company's non-food interests would benefit from economic recovery. Hoare also brought its profits estimate for the current year in line with other forecasts. It now expects £205m, against £220m.

Racal Electronics improved 3 to 216p and Telecom 9 to 354p. A series of presentations to UK and US institutions, accompanying details of the demerger of Telecom, is expected to get under way on Monday.

Wassall, the mini-conglomerate run by former Hanson executives, slipped 8 to 161p after S G Warburg [illegible] profits forecast for the current year by around 10 per cent. ECC (formerly English China Clays) gained 5 to 430p as securities houses took [illegible] positive stance. Hoare Govett was recommending the stock and the company was meeting institutions in Scotland.

Brown & Tawse, distributor of steel and pipeline products, was 26 [illegible] shortly [illegible] company announced a loss of £228,000 against a profit of £4.1m last year, but the slide was seen as overdone and the stock recovered to close a net 9 off at 70p.

Barry Wehmiller, the specialist packaging equipment group, declined 10 to 173p.

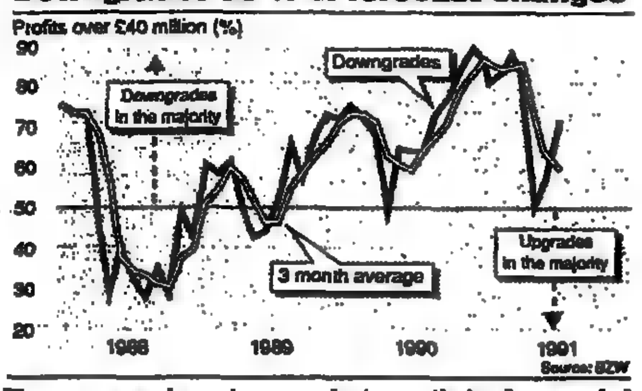
Advertising [illegible] Trott was [illegible] 142p on the back of its end-of-year results. Profits were down by more than £2.5m to £5m but the dividend was held.

[illegible] 7 [illegible] stock was offered around the market. After Wednesday's Granada interims, [illegible] New Court cut its current year forecast from £88m to £82.5m and next year's from [illegible] to £110m.

United Newspapers saw heavy turnover of 2.1m [illegible] marketmaker bought 850,000 shares at [illegible] and sold half the block [illegible] 345p and the [illegible] 344p. The shares firmed [illegible] penny to 346p.

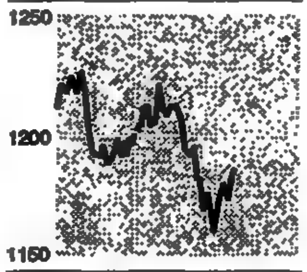
■ *Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.*

Downgrades as % of forecast changes

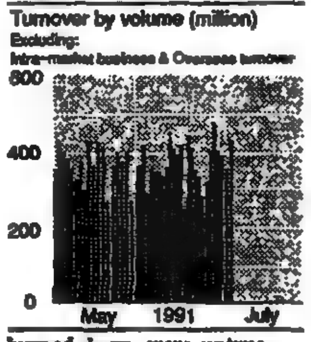


There was a sharp increase last month in downgraded corporate profits forecasts by City analysts. Barclays de Zoete Wedd is reducing its prediction for 1991 aggregate share earnings growth from 5 to 3 per cent and may even cut further to minus 5 per cent as fears of delayed economic recovery feed through.

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS ([illegible]).
BRITISH FUNDS (4) Treas. 3pc 1992, Treas. 8½pc 1994, Treas. [illegible] 2001 B, Treas. 2pc IL 1992, AMERICANS (1) Merrill Lynch, CANADIANS ([illegible]) [illegible], Barrick Res., BC [illegible], Echo Bay Mines, [illegible], Sonora Gold, BANKS (1) [illegible], CHEMICALS (1) Thurgar Bardex, [illegible] Shops, ELECTRICALS [illegible] HK Telecom, Tunstall, ENGINEERING (2) Allen [illegible] Taco, FOODS (3) Dalgety, [illegible] (Wm), [illegible] Pacific, China Light, Colorgen, Hutchison Whampoa, Jardine, [illegible], Swire Pacific A, Wellcome, [illegible] Lloyd Thompson, [illegible] Trust SOUTH [illegible] Fields Prop., TEXTILES [illegible] TRANSPORT (2) [illegible] Steam, [illegible] (3) Gartmore Value Zero Prf., Genesis Chile Fd. Ptg., Precious Metals, OILS (1) Bow Valley. MINES (24) Anglo Amer. Coal, Anglo Amer. Gold, Bullets, Delta Gold, Driefontein, Durban Deep, ERGO, Elandsrand, FS Cons. Gold, GM Kalgoorlie, [illegible], Hartebeest, [illegible], Homestake, Joel [illegible], Kloof, Metana Minerals, OFS Invs., Randfontein Ests., [illegible] Mines, Southvaal, Vaal Reefs, Welkom, [illegible].
[illegible] (48).
[illegible] (1) Crest Nicholson, CHEMICALS [illegible] (1) Chelsea Man., [illegible] Chloride, Feedback, [illegible] Dickie (J), Howden, [illegible] Umeco, Wheway, FOODS [illegible], INDUSTRIALS (14) [illegible] (J & J), Granada, [illegible] Int., [illegible] Nu-Swift, [illegible] A. Ross, [illegible] Sthn. Business, Stormgard, Western Cap., Wyndham, LEISURE (3) Anglia TV, Intl. [illegible], TV-am, Thames TV, Tyne Tees, MOTORS (1) Lucas, PAPER (2) [illegible] Selection, [illegible] Cowells, [illegible] Lon. [illegible] 5pc Prf., MEPC, [illegible] TRUSTS (2) [illegible] Loans, Do. [illegible] Prf., OILS (1) [illegible] Res., MINES (2) [illegible], Pancontinental.

FINANCIAL TIMES STOCK INDICES

	July 4	July 3	July 2	July 1	June 28	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.55	84.28	83.89	83.89	83.60	[illegible]	[illegible]	82.17 (2/1)	127.4 [illegible]	49.18 (3/1/75)
Fixed Interest	93.27	93.16	93.04	[illegible]	[illegible]	88.02	94.84 (5/4)	[illegible]	[illegible] (28/11/47)	50.53 [illegible]
Ordinary Share ●	[illegible]	[illegible]	1907.2	1898.7	1877.9	1858.2	2014.5 (5/4)	1608.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	217.1	[illegible]	[illegible]	[illegible]	201.0	181.4	217.1 (4/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 [illegible]
FT-SE 100 Share	2470.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2545.3 (5/4)	2054.8 (16/1)	[illegible]	[illegible]
FT-SE Eurotrack 200	1140.75	[illegible]	[illegible]	1141.98	[illegible]	-	1192.11	[illegible]	1192.11	938.62 (16/1/91)
●Ord. Div. Yield	[illegible]	[illegible]	4.98	4.98	5.04	[illegible]				
●Earning Yld %(full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net)	[illegible]	[illegible]	14.11	14.05	[illegible]	[illegible]				
SEAQ Bargns 4.45pm	[illegible]	[illegible]	22,185	23,450	28,778	[illegible]				
Equity Turnover(£m)†	-	[illegible]	747.62	799.02	1572.26	[illegible]				
Equity Bargains†	-	[illegible]	21,1[illegible]	25,170	26,126	[illegible]				
Shares Traded (mil)†	-	[illegible]	[illegible]	395.0	[illegible]	[illegible]				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.56

Ordinary Share Index, Hourly changes Day's High [illegible] Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1899.3	1904.9	1907.9	1911.1	1901.8	1902.8	1903.1	1903.9	1904.8

FT-SE 100, Hourly changes Day's High [illegible] Day's Low [illegible]

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2452.5	2461.6	2463.2	2467.3	2465.3	2465.3	2465.7	2466.4	2470.8

FT-SE Eurotrack 200, Hourly changes Day's High 114[illegible] Day's Low 1139.13

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1140.39	1140.25	1141.72	1140.45	1139.76	1139.82	1140.06

GILT EDGED ACTIVITY

Indices*	July 3	July 2
Gilt Edged Bargains	103.4	86.3
5 – Day average	86.8	[illegible]

*SE Activity [illegible]
†Excluding intra-market business & Overseas turnover.

London report and [illegible] Share [illegible]
Tel. 0898 [illegible]01

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	34	426	+12	Courtaulds	557	412		MB Caradon	451	[illegible]	+2	Severn Trent Water	1,900	349	+6
ASDA Group	2,700	93	-1	Dalgety	1,200	395	+6	MEPC	675	[illegible]	+4	[illegible] Transport	2,100	320	-1
Abbey National	2,300	278	+9	De La Rue	72	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cookson	3,000	169	+2	Lucas	5,600	128	-8	Scotland	116	184	+7	[illegible]	632	368	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

[illegible] of shares on the stock market forced securities [illegible] into the equity futures market yesterday. In traded options, Pilkington and BP dominated dealing.

The September FT-SE 100 index contract opened higher [illegible] proceeded to advance throughout [illegible] session as one UK securities house was reported to have bought 500 futures to cover [illegible] £30m share buy programme.

Widespread speculation that there could be a half-point cut in UK interest rates today added to the bullishness, and with Wall Street closed, the market easily moved ahead as many of the larger players remained on the sidelines.

However, not all the caution of the previous session had disappeared. One sign of this was the September FT-SE contract trading for most of the session below the 32-point fair value premium.

September closed [illegible] up 21 points on the day, while in after-hours' dealing it rose a further 7 points. September's closing premium was [illegible] points, against 22 previously.

In the options market, overall dealing levels remained depressed, reflecting the lack of activity in the stock market. Pilkington August [illegible] and 200 [illegible] were sought for a [illegible] trade.

BP July 330 puts [illegible] in demand [illegible] the shares [illegible] on [illegible] North Sea oil discovery.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Five to Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
118[illegible]	113[illegible]	Treas. 14pc '98-01	118	+[illegible]	12.07	10.65

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
98[illegible]	92[illegible]	Treas 9¾pc 2002	96¼	+½	10.13	[illegible]
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Undated				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index-Linked	(b)		(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102	95¾	African Dv Bk 11¼ Ln 2010	102[illegible]	+¼	11.02	10.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

90	84½	Sth Rhod. 87-92 Assd	90			

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible] Wtr. 3pc 'B'	52		5.77	[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass	50		3.50	f7.00
50	50	Do. 6pc 28 Stb. Ass	50		3	f6.00
50	50	Do 4pc Mixed Ass	50		2	f4.00
55	55	Hung. '24 Ass	55		2.75	f3.57
128	120	Hydro Quebec 15pc 2011	125	+⅛	12.89	11.66

Continued on next page

APPOINTMENTS

Equitable Life top posts

■ THE EQUITABLE LIFE ASSURANCE SOCIETY, Aylesbury, has appointed Mr Roy Ranson as managing director and actuary. Mr Roger Bowley, Mr Shaun Kinnis and Mr David Thomas, executive directors, become respectively general managers of central services, sales and marketing, and investments. Mr Alan Nash is made general manager, UK operations. These moves follow the retirement of Mr Barry Sherlock, executive director, from the post of general manager and actuary.

■ *Mr Christopher Bark-Jones* has been appoin[illegible] director of finance at BRITISH ALCAN ALUMINIUM. He was treasurer, a post he retains.

■ THE FLEMING MERCANTILE INVESTMENT TRUST has made Mr David Peterson responsible for implementing the company's investment policy. He is investment director of Fleming Investment Trust Management, and replaces Mr Adam Fleming who has resigned to take on new responsibilities for Flemings.

■ BRAY TECHNOLOGIES has appointed Mr Peter J. Prateley as deputy chairman. He retired last year as executive director and chief executive of the home products division at Blue Circle Industries. Previously he was group chief executive of Birmid Qualcast.

Mr Robin Jowitt (*pictured*) has been appointed chairman of CLARK CLAY INDUSTRIES following its acquisition by Meadowbell. The company makes clay pigeons and automatic target traps.

■ Mr Peter Murray has been appointed director, communication services division, DATA LOGIC. He was European customer services director at Data [illegible]eral.

■ ERF (HOLDINGS) has appointed Mr John W. Bryant as managing director of ERF Ltd, succeeding Mr Cyril Acton who is retiring but who will remain as a consultant until the autumn.

■ Mr Michael Hacker has been appointed finance director of COURTS (FURNISHERS). He was an executive director of Hillsdown Investment Trust.

■ HEYWOOD WILLIAMS GROUP has appointed Mr Richard Fortin as a non-executive director. He was a managing director of Lloyds Merchant Bank, and is a trustee of the Royal Armouries.

■ Mr Peter J. Sangster has been appointed managing director of SCA PACKAGING. He was deputy managing director, and joined the company in 1963.

■ Mr R.C. Nixon, divisional executive, marine and aviation, Cornhill Insurance, and Mr M.E. Brockbank, Lloyd's, have been elected chairman and deputy chairman, respectively, of the London market's JOINT HULL COMMITTEE.

■ Mr John Wood has been promoted from deputy to chief executive of [illegible] INSURANCE, Cardiff.

■ Mr Derek J. McLauchlan has been appointed chief executive of the NATIONAL AIR TRAFFIC SERVICES. He was director-general of projects and engineering. NATS is the joint Civil Aviation Authority/Ministry of Defence organisation which provides air traffic control services in UK airspace.

■ TI GROUP has appointed Mr John M. Harris as a non-executive director. He is chief executive officer of Rockefeller Financial Services Inc, New York.

■ Mr Gregory R. Hamilton of National Australia Bank has been seconded to YORKSHIRE BANK as assistant general manager, group services, from July 8. He is chief manager of the Adelaide capital office.

■ Mr Del Jenkins has been appointed managing director of ASSOCIATED CONTAINER TRANSPORTATION SERVICES. He has been a director since 1977, and succeeds Mr William C. Campbell who retires on September 30.

MARSH FERN GROUP, Stockport, has appointed Mr John Mitchell (*pictured*) as group managing director. He was chairman of Courtaulds dye-converting group.

LONDON SHARE SERVICE

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

... Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on [illegible] or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. R Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quo[illegible] Irish currency.

Craig & Rose £1	640xd	......
Finlay Pkg. 5p	27	......
Holt (Jos) 25p	1975	......
Helton Hldgs.	43	......
IRG	128½	......
United Drug	170	......

IRISH

Cp. 8¾% Ln. 1991	£99⅞	......
9pc Cap Ln. 1996	£97½	......
Fin. 13% 97/02	£114¼	......
Arnotts	156	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	[illegible]
BOC Grp.	[illegible]
BTR	[illegible]
Barclays	[illegible]
Blue Circle	[illegible]
Boots	[illegible]
Bowaters	[illegible]
Brit Aerospace	[illegible]
British Steel	[illegible]
Brit. Telecom	[illegible]
Cadburys	[illegible]
Charter Cons.	[illegible]
Comm Union	[illegible]
Courtaulds	[illegible]
Eurotunnel	[illegible]
FKI	[illegible]
FNFC	[illegible]
Gen Accident	[illegible]
GEC	[illegible]
Glaxo	[illegible]
Grand Met.	[illegible]
Guardian	[illegible]
GKN	[illegible]
Hanson	[illegible]
Hawker Sidd.	[illegible]
ICI	[illegible]
Ladbroke	[illegible]
Legal & Gen.	[illegible]
Lex Service	[illegible]
Lloyds Bank	[illegible]
Lucas Inds.	[illegible]
Marks & Spencer	[illegible]
Midland Bk.	[illegible]
Nat West Bk.	[illegible]
P & O Dfd.	[illegible]
Racal Elect.	[illegible]
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	15
Wellcome	48

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Ariva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	[illegible]
RTZ	[illegible]

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Equity Inc	5½	113.0	113.0	121.6	+0.2	6.68
UK Equity Acc	5½	127.3	127.3	136.9	+0.2	6.68
UK Ind Tracker Inc	5	118.9	118.9	127.0	+0.5	3.93
UK Ind Tracker Acc	5	127.1	127.1	135.7	+0.5	3.93
US Eq Ind Tracker Inc	5	148.0	148.0	158.7	-2.0	2.82
US Eq Ind Tracker Acc	5	152.8	152.8	163.8	-2.1	2.82
Japan Tracker	5	62.71	62.71	66.50	-1.0	0.00
Asian Tracker	5½	89.93	89.93	96.07	+0.48	1.40
Managed Inc	5½	97.25	97.25xd	104.6	.....	2.03
Managed Acc	5½	99.19	99.19xd	106.6	.....	2.03
Cash Inc	0	100.62	100.62xd	100.62	+0.09	11.72
Cash Acc	0	109.02	109.02xd	109.02	+0.07	11.72
Europe	5½	103.3	103.3	110.7	-1.1	0.00

Maiden Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 071 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	112.6	112.6xd	115.8	.....	5.02

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5½	128.4	130.3	138.6	.....	3.97
Gilt & Fxd Int	5	143.3	143.3	150.8	+0.8	8.56
Int'l Growth	5½	150.3	151.9	161.6	-1.6	0.42
North American♥	5½	97.77	99.17	105.5	-1.5	0.57
Far East	5½	122.8	123.9d	131.8	-0.3	1.35
UK Smaller Cos	5½	102.4	102.4d	108.9	-0.2	3.22
European	5½	53.65	53.65xd	57.19	-0.34	1.11
Japanese Growth	5½	37.85	37.85	40.54	-0.45	0.00
Managed P'folio	5½	49.40	49.84xd	53.02	-0.60	1.77
High Income	5½	144.0	146.1	155.4	+0.7	6.24
High Yielding Gilt	5½	61.47	61.47	64.79	+0.17	9.50
Cash		51.12	51.12	51.12	+0.01	10.22

Geoffrey Morley Unit Mgrs Ltd (1200)F
3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	[illegible]	113.43	113.43xd	120.88	+0.04	2.60
Exempt Smllr Cos	3	222.77	222.77	241.90	+0.15	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American	5	309.4	309.4	330.2	-2.7	1.39
(Accum Units)	5	361.9	361.9	[illegible]	-3.1	2.29
British	5	780.7	780.7	825.9	+2.7	6.01
(Accum Units)	5	1249.9	1249.9	1322.2	+4.5	6.41
European	5	320.5	320.6	342.3	-2.4	1.95
(Accum Units)	5	343.5	343.3	367.3	-3.1	1.95
Japan	5	122.6	122.6	130.3	-2.0	-
(Accum Units)	5	123.5	123.5	131.3	-2.0	-
New Pacific	5	175.0	175.0	186.0	-0.2	1.95
(Accum Units)	5	179.2	179.2	190.4	-0.2	1.95
PEP July 3	5	129.3	131.6	139.5	----	[illegible]
Mngd Equity	5	[illegible]	120.7xd	127.2	----	[illegible]
Mngd Equity Acc	5	125.8	127.7	135.2	----	[illegible]
Mngd Cash	5	95.45	95.45xd	100.7	+0.1	11.38
(Accum Units)	5	113.0	113.0	118.6	+0.1	11.38
Mngd Fund Int Acc July 3	5	117.4	117.4	124.3	----	7.15
Majority Stlg	1	99.42	99.42xd	100.40	+0.02	10.97
Majority Stlg Acc	1	104.29	104.29	105.31	+0.02	10.97

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Raleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Equity	6	580.0	587.7	628.6	+1.7	5.50
North America	6	79.05	80.63	86.24	-1.29	1.10
Far East	6	97.60	98.64	105.5	-0.4	0.91
W'wide Bond	6	48.04	48.04	51.11	[illegible]	[illegible]
European	6	65.43	65.81	70.39	-0.39	1.52
Equity Income	6	67.52	68.26xd	73.00	+4.59	5.11
Portfolio	6	57.76	58.30	62.35	-0.11	2.60

Sun Life of Canada Unit Mgrs Ltd (1000)H

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
American July 3	161.2	165.6	+2.5	[illegible]
Managed July 3	142.5	147.6	-0.4	[illegible]
Japan July 4	121.0	124.3xd	+0.6	[illegible]
Sm Jap Cos July 3	594.5	610.8	-9.5	[illegible]

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Mngd Pens P'folio	128.8	133.0	+0.10	3.60

Robert Fleming Asset Mngmt Ltd

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Grs
Capital June 19	497.26	508.94	----	2.45
Gross June 19	176.55	177.97xd	----	10.96
High Yield June 19	290.76	293.12	----	7.63

*Restricted to capital under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Pensions Mngd	52.19	53.27	+0.12	3.90

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	105.4	110.9	----	-
Pension Managed Fd	102.8	108.2	+0.5	-
Life Deposit Fd	107.8	113.5	----	-
Pension Deposit Fd	113.2	119.1	----	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	106.5	112.2	----	-
Managed Growth	134.9	142.1	-0.5	-
Managed Opportunity	137.4	144.7	-0.7	-
NFMC Target Financial	100.4	105.7	+0.1	-
Pension Funds				
Managed Cautionary	117	123.2	+0.1	-
Managed Growth	142.9	150.5	-0.6	-
Managed Opportunity	137.7	149	-0.7	-
NFMC Target Mngd Pen	1502.2	1581.3	-2.7	-
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	161.2	169.7	----	-
UK Equity	165.3	174.0	----	-
Overseas Equity	140.8	148.3	----	-
Fixed Interest	144.4	152.1	----	-
Property	127.0	133.7	----	-
Index Linked	146.5	154.3	----	-
Deposit	157.7	166.1	----	-
With Profits (B)	129.4	136.5	----	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	348.4	366.8	+0.2	-
UK Equity	431.7	454.5	+1.5	-
Overseas Eq	350.5	369.0	-1.1	-
Americas	290.4	305.7	-2.7	-
Far East	383.5	403.7	-1.4	-
Property	190.6	200.7	+0.1	-
Fixed Int	259.1	272.8	+0.6	-
Indexed Gilt	154.2	162.4	+0.1	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690535				
Initial Equity	148.5	157.0	+0.5	-
Accum Equity	213.5	225.0	+0.5	-
Accum Managed	224.0	236.5	+0.5	-
Accum Five Star	171.5	181.0	-1.0	-
Accum World	124.0	131.0	-0.5	-
Accum Lifetime	108.6	108.6	+0.2	-
Pens Acc Equity	228.5	241.0	+1.0	-
Pens Acc Managed	278.0	293.5	+0.5	-
Pens Acc Intl	215.0	226.5	-1.0	-
Pens Acc Deposit	200.0	211.0	----	-
Pens Acc Five Star	188.0	198.5	-1.0	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	220.6	232.8	+1.9	-
UK Fixed Int Acc	174.4	184.0	+0.2	-
Intl Equities Acc	178.7	188.6	-0.9	-
UK Managed Acc	172.0	181.4	+0.8	-
Property Acc	224.1	236.4	----	-
Money Acc	129.7	136.9	----	-
Special Market Acc	142.6	150.5	-0.6	-
Japan Equity Acc	105.5	111.3	-1.7	-
North American Acc	110.2	116.3	-0.8	-
Pacific Acc	98.9	104.4	-0.2	-
Technology Acc	126.1	133.1	-0.4	-
Nat Resources Acc	66.2	69.9	+1.9	-
European Acc	100.2	105.8	-0.4	-
Residential Prop Acc	96.2	101.5	----	-
Swiss Equities Acc	34.8	36.8	-0.2	-
Hong Kong Acc	70.8	74.7	+1.6	-
UK High Inc Eq Acc	71.2	75.2	+0.4	-
Int Fixed Interest Acc	57.6	60.8	+0.3	-
Int Managed Acc	57.0	60.1	-0.2	-
HIP Managed Acc	117.4	123.8	+0.3	-
HIP Managed II Acc	99.7	105.1	-0.1	-
HIP Managed III Acc	106.6	112.4	----	-
Total Investment Bond				
UK Equity Initial		150.2	+1.2	-
UK Fixed Int Initial		118.9	+0.2	-
Intl Equities Initial		120.9	-0.6	-
UK Managed Initial		117.3	+0.5	-
Property Initial		153.9	----	-
Money Initial		88.9	----	-
Special Market Initial		110.9	-0.4	-
Japan Equity Initial		82.0	-1.2	-
North American Initial		85.6	-0.7	-
Pacific Initial		76.9	-0.1	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling mixed

CURRENCIES ENDED a very quiet day in Europe with the dollar and sterling showing small mixed changes. The closure of US markets for Independence Day led to subdued trading in other major centres.

Dealers are now waiting for today's data on US employment trends, after recent signs that the economy is recovering from recession. The market expects a rise in the June unemployment rate to 7.0 from 6.9 per cent, but is not looking for much change in the number of non-farm payrolls. In May non-farm payrolls rose 59,000.

At the London close the dollar had climbed to DM1.8350 from DM1.8315 and to FFr6.2225 from FFr6.2075, but had fallen to SFr1.5830 from SFr1.5835 and to Y139.10 from Y139.50. On Bank of England figures the dollar's index rose to 68.7 from 68.5.

The Japanese yen remained under the shadow of alleged scandals involving some of the big brokerage houses in Tokyo, but improved slightly against the dollar and most European currencies. The D-Mark had declined to Y75.80 from Y76.15 at the close of trading in London.

There was little movement among the members of the European exchange rate mechanism, but the Spanish peseta lost a little ground at the top of the system. Figures from the European Commission showed the peseta only 4.96 per cent above the bottom placed Danish krone, compared with 5.02 per cent on Wednesday.

This followed an easing of short-dated interbank rates in Madrid after a relatively low allocation at yesterday's tender of one-year Spanish Treasury bills.

The low allocation left an overhang of liquidity in the banking system, but an unchanged yield of 11.726 per cent at the tender suggested interbank rates in Madrid are tending to stabilise.

The D-Mark held steady around the middle of the ERM. Dealers said that negative factors, including the crisis in Yugoslavia, rising German inflation and fears about the possible reintroduction of withholding tax on investment income, are already reflected in the D-Mark's value and that its future performance is more likely to depend on overseas events, such as trends in the US and Japanese economies.

Sterling was again the third weakest member of the ERM, trading quietly and lacking fresh factors. It finished unchanged against the dollar in London at $1.6050, but improved slightly to DM2.9450 from DM2.9400. The pound also rose to FFr9.9875 from FFr9.9625, while easing to SFr2.5400 from SFr2.5425 and to Y223.25 from Y224.00. Sterling's index was unchanged at 89.5.

In Paris nervousness about the stability of the French government led to some selling of the franc. It remained above the Danish krone within the ERM however. The D-Mark rose to FFr3.3895 from FFr3.3889 at the fixing, while the peseta eased to FFr5.4045 per 100 pesetas from FFr5.4075.

£ IN NEW YORK

July 3	Close	Previous Close
£ Spot	1.6060-1.6070	1.6025-1.6035
1 month	0.74-0.72pm	0.74-0.72pm
3 months	2.02-1.99pm	2.00-1.97pm
12 months	5.65-5.55pm	5.57-5.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 4	Previous
8.30 am	89.5	89.3
9.00 am	89.5	89.3
10.00 am	89.4	89.2
11.00 am	89.5	89.3
Noon	89.5	89.3
1.00 pm	89.5	89.4
2.00 pm	89.5	89.4
3.00 pm	89.5	89.5
4.00 pm	89.5	89.5

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.862	-3.57	4.96	62
Italian Lira	1538.24	1528.70	-0.62	1.85	35
Belgian Franc	42.4032	42.2684	-0.32	1.54	20
Dutch Guilder	2.31643	2.31387	-0.11	1.33	10
D-Mark	2.05586	2.05471	-0.06	1.27	9
Irish Punt	0.767417	0.767882	0.06	1.16	1
Sterling	0.696904	0.698109	0.17	1.04	-4
French Franc	6.89509	6.96393	1.00	0.22	-50
Danish Krone	7.84195	7.93748	1.22	0.00	-52

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

Jul 4	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	8¼ - 8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	9 - 8¾	9¼ - 9	9¼ - 9	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	[illegible]	[illegible]	[illegible]	12 - 11¾
Belgian Franc	[illegible]	9¼ - 9	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	6 - 5¾	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 7⅛-7 per cent; three years 8-7⅞ per cent; four years 8⅛-8 per cent; five years 8¼-8⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 4	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.605	2.945	223.2	9.987	2.540	3.315	2192	1.833	60.60	1.431
$	0.623	1	1.835	139.1	6.222	1.583	2.065	1366	1.142	37.76	0.892
DM	0.340	0.545	1	75.79	3.391	0.862	1.126	744.3	0.622	20.58	0.486
YEN	4.480	7.191	13.19	1000.	44.74	11.38	14.85	9821	8.212	271.5	6.411
F Fr.	1.001	1.607	2.949	223.5	10.	2.543	3.319	2195	1.835	60.68	1.433
S Fr.	0.394	0.632	1.159	87.87	3.932	1	1.305	863.0	0.722	23.86	0.563
H Fl.	0.302	0.484	0.888	67.33	3.013	0.766	1	661.2	0.553	18.28	0.432
Lira	0.456	0.732	1.344	101.8	4.556	1.159	1.512	1000.	0.836	27.65	0.653
C $	0.546	0.876	1.607	121.8	5.448	1.386	1.809	1196	1	33.06	0.781
B Fr.	1.650	2.649	4.860	368.3	16.48	4.191	5.470	3617	3.025	100.	2.361
ECU	0.699	1.122	2.058	156.0	6.979	1.775	2.317	1532	1.281	42.35	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls March	Puts Sept.	Puts Dec.	Puts March
103	-	-	-	0.33	-	-
104	1.23	-	-	0.59	1.08	-
105	0.68	1.20	1.59	1.03	1.53	1.82
106	0.33	0.79	-	1.67	-	-
107	0.13	-	-	-	-	-
108	0.06	0.30	-	-	-	-
Open Int.	173,289	26,820	3,500	130,052	20,351	10,600

Estimated volume 19,977 Total Open Interest 364,612

POUND - DOLLAR

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm.Bk.of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Comm	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	11.5	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rates hold steady

THERE WAS virtually no change in London wholesale interest rates yesterday. The important three-month interbank rate was unchanged at 11¼-11⅛ per cent, indicating that there is little expectation of a change in bank base rates before the German Bundesbank council meeting, and June UK retail prices index, next week. One-year money was steady at 10⅞-10¾ per cent.

Prices of short sterling futures were also steady on Liffe in very quiet trading. September delivery opened unchanged at 89.54 and closed at the same level.

Day-to-day credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1,000m, but this was revised to £1,100m at noon and to £1,250m in the afternoon. Total assistance of £1,060m was provided.

An early round of help was offered and at that time the authorities bought £31m bank bills outright, in band 2 at 11⅛ per cent. Before lunch another £283m bills were purchased, by way of £77m Treasury bills in band 2 at 11 1/16 per cent and £206m bank bills in band 2 at 11⅛ per cent.

In the afternoon £421m bills were bought, via £21m Treasury bills in band 1 at 11⅛ per cent; £315m bank bills in band 1 at 11⅛ per cent; £50m Treasury bills in band 2 at 11 1/16 per cent; and £35m bank bills in band 2 at 11 1/16 per cent. Late assistance of around £335m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £635m, with exchequer transactions absorbing £165m, a rise in the note circulation £95m and bank balances below target £105m.

In Frankfurt call money eased to 8.85 from 8.90 per cent, reflecting the relatively high reserve holdings of commercial banks at the Bundesbank. These stood at DM74.8bn on Tuesday to average DM76.4bn for the first two days of the month.

The injection of a net DM2.5bn by the central bank at this week's securities repurchase tender has been absorbed in payments for a Federal Railways bond, launched on Monday. This leaves conditions relatively tight, partly because the Bundesbank has lowered the rediscount quota for east German banks by DM6bn to DM19bn and has also changed refinancing regulations, bringing banks in the east closer into line with their western German counterparts.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

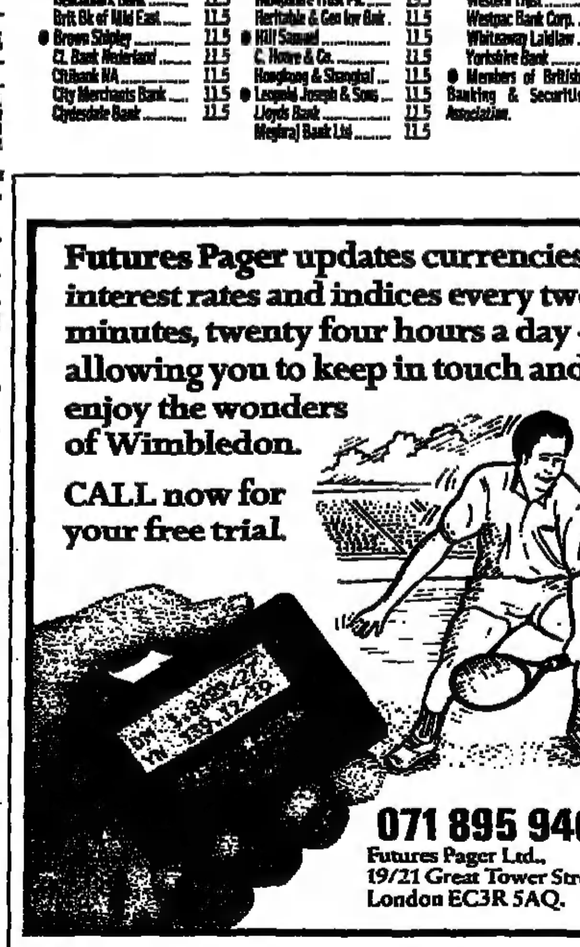
[illegible]

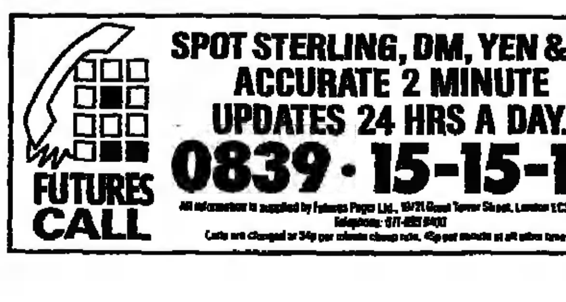
MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]





MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

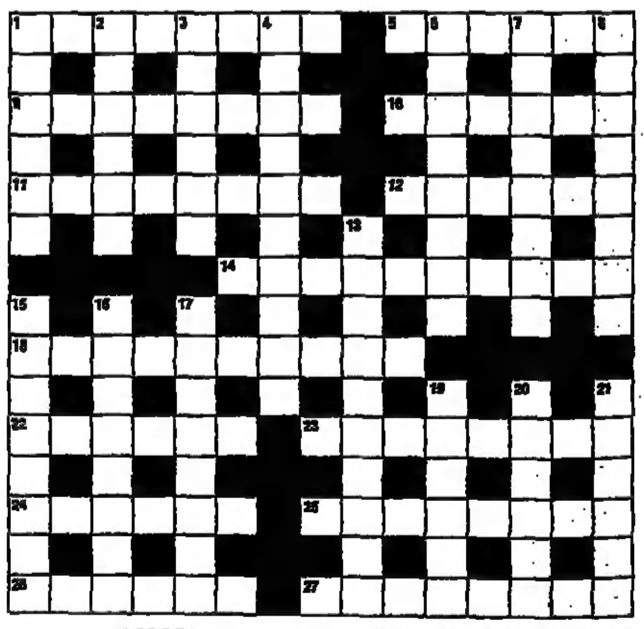
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,586 Set by GRIFFIN



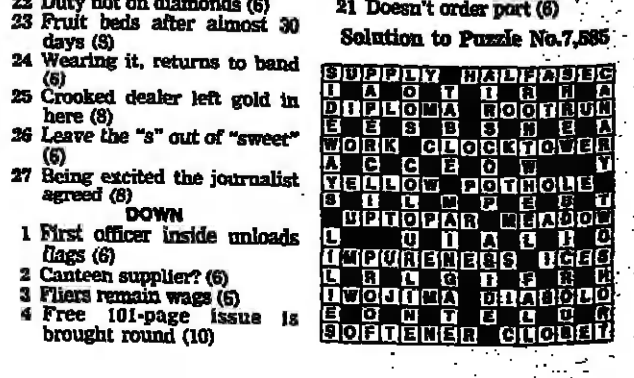
ACROSS

1 Dead relaxed after last month (8)
5 Father's embracing a fairy, I fear! (6)
9 When abroad escape epidemic (8)
10 Plant occurs indiscriminately (6)
11 Show price one omitted but include E number (8)
12 Member accepted surveyor's scales (6)
14 Look for a fruit among pecan nuts (10)
18 Rhymesters' ridiculous prose admits discrimination (10)
22 Duty not on diamonds (6)
23 Fruit beds after almost 30 days (8)
24 Wearing it, returns to band (6)
25 Crooked dealer left gold in here (8)
26 Leave the "s" out of "sweet" (6)
27 Being excited the journalist agreed (8)

DOWN

1 First officer inside unloads flags (6)
2 Canteen supplier? (6)
3 Fliers remain wags (6)
4 Free 101-page issue is brought round (10)
6 They can take a running jump! (8)
7 Sound buzzer next, as appropriate (8)
8 The fool I'd set free helped (8)
13 Capital underground parking on rough soil (10)
15 Rabble rushed outside and began to grow (8)
16 Salesman raising paperwork does (8)
17 One trains fliers in far-flung Colne (8)
19 Pillar an engineer needed to penetrate (6)
20 Topless Anne appears in bottom half of hat! (6)
21 Doesn't order port (6)

Solution to Puzzle No.7,585



WORLD STOCK MARKETS

CANADA

Sales	Stock	High	Low	Close	Chng
3800	Can Util B	518	18⅞	18⅞	-⅛
13500	Canamax	38	38	38	
5000	Cantor	$27½	27½	27½	
3400	CnPcForest	$33	33	33	
1600	Cara Op	$19½	19½	19½	-⅛
9300	Carena Dev	$13⅝	13½	13⅝	
100	Cascades	485	485	485	
400	Celanese	$37⅛	37⅛	38⅛	
500	Cntrl Cap	440	440	450	
400	Cinepx Odn	$5⅝	5½	5½	
229500	Jannock	$16	16	16	
500	KerrAddis	u$17⅛	17⅛	17⅛	+⅛
18800	Labatt x	$23⅞	23⅝	23⅞	+⅛
154000	Lac Minls	u$10½	10⅛	10⅜	+⅛
200	Lafarge	$15⅛	15⅛	15⅛	
35700	Laidlaw A	$11½	11⅛	11½	+⅛
30800	Laidlaw B	$11½	d11⅛	11⅝	
17300	Ranger Oil	$8⅛	8	8	
7500	Rayrock	$8⅝	8½	8⅝	
1000	Reed Sten	$25½	25½	24½	
100	Reitman S	$16	16	16	
8700	Ren'sance	$14⅝	14⅝	14⅝	
2400	Repap Ent	$7⅞	7⅞	7⅞	+⅛
1400	Rio Algom	$15⅛	d15	15	-⅛
700	Rogers A	$11⅝	11⅛	11⅝	
200	Rothmans	$59½	59½	59½	
61200	RoyalBkCan	$24⅝	24	24⅛	+⅛

MONTREAL

3:00 pm prices July 4

Sales	Stock	High	Low	Close	Chng
29300	MacleanHu	$10⅞	10⅝	10⅞	
2400	Memotec	$9⅝	9⅛	9⅛	-⅛
73600	Natl Can x	$10⅞	10⅛	10⅞	-⅛
300	Provigo	$11⅝	11½	11½	-⅛
200	Quebecor A	$17⅝	17⅝	17⅝	
2100	Videotron	$14⅞	14	14	-⅛

Total Sales 5,475,400 shares

INDICES

NEW YORK

DOW JONES	July 3	July 2	July 1	June 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	2934.70	2972.72	2958.41	2906.75	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.42	94.37	94.49	94.21	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1187.06	1179.65	1174.89	1151.45	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	197.37	199.07	199.57	196.87	220.89 (16/4)	196.87 (28/6)	236.23 (2/1/90)	10.50 (8/4/32)

◆Day's High 2957.07 (2987.03) Low 2915.03 (2939.62)

STANDARD AND POOR'S	July 3	July 2	July 1	June 28	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	373.33	377.47	377.92	371.16	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	445.30	450.17	450.37	442.06	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	28.79	29.23	29.38	28.98	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	204.47	206.52	206.67	203.47	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	358.41	360.35	360.66	358.12	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	474.32	478.78	481.31	475.92	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 28	June21	June14	year ago (approx.)
Dow Industrial Div. Yield	3.16	3.07	3.03	3.74

	Jun 26	Jun 19	Jun 12	year ago (approx.)
S & P Industrial div. yield	2.83	2.80	2.79	2.96
S & P Indl. P/E ratio	18.68	18.85	18.91	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
BankAmerica	2,500,700	33½	- 2
Tenneco	1,852,900	34⅛	- 1⅛
RJR Nabisco	1,791,300	10½	- ⅛
Pepsico	1,653,800	29⅛	- ⅛
Security Pac	1,434,300	21½	- 1⅛
Am Express	1,376,600	22⅛	- ½
Philip Morris	1,370,400	65⅛	- ⅛
First Mngmt	1,365,800	34⅛	+ ⅛
Blockbuster	1,359,900	8½	+ ⅛
Am T & T	1,310,400	39⅛	—

TRADING ACTIVITY

† Volume (Millions)	July 3	July 2	July 1
New York SE	139.290	157.140	166.880
Amex	10.577	10.075	11.150
NASDAQ	125.020	136.540	121.930
NYSE			
Issues Traded	2,082	2,054	2,061
Rises	457	773	1,166
Falls	1,116	760	451
Unchanged	489	521	444
New Highs	27	41	41
New Lows	26	22	11

CANADA

TORONTO	July 3	July 2	July 1	June 28	1991 HIGH	1991 LOW
Metals & Minerals	3155.08	3184.60	(c)	3175.24	3284.18 (5/3)	2632.06 (9/1)
Composite	3479.07	3493.70	(c)	3466.82	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1837.94	1851.13	(c)	1836.23	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jul 4	July 3	July 2	July 1	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1523.9	1528.7	1543.2	1522.0	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	670.2	665.3	672.2	664.3	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	478.13	469.98	465.51	(u)	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1154.98	1152.60	1158.40	1160.28	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	371.51	369.57	369.48	367.37	371.51 (4/7)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	955.0	950.7	953.5	968.5	1186.9 (8/4)	890.5 (25/1)
FRANCE						
CAC General (31/12/82)	460.67	462.47	468.56	468.67	494.95 (12/4)	394.88 (15/1)
CAC 40 (31/12/87)	1708.65	1718.02	1750.47	1772.82	1874.81 (11/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	680.93	677.36	675.95	683.34	717.43 (17/4)	570.48 (15/1)
Commerzbank (1/12/53)	1920.9	1910.3	1905.6	1927.8	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1616.11	1614.42	1610.50	1625.20	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3850.71	3796.57	3772.91	3738.85	3917.89 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1362.29	1360.95	1369.50	1363.76	1528.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	567.86	568.67	578.45	583.40	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23135.61	23373.47	23995.76	24108.76	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1796.98	1820.65	1866.12	1868.12	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3165.72	3221.72	3271.53	3269.33	3423.45 (18/3)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	606.01	608.22	613.50	615.69	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	(u)	276.6	279.7	278.2	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	(u)	197.1	199.3	198.2	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	754.38	753.26	756.53	759.00	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1094.17	1074.16	1061.98	1053.45	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	395.24	398.88	404.07	402.57	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1443.06	1445.0	1411.0	1400.0	1446.8 (3/7)	971.0 (25/2)
JSE Industrial (28/9/78)	3864.04	3860.0	3020.0	3804.0	3911.0 (28/6)	2820.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	603.37	602.83	611.65	616.90	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	274.26	271.72	275.96	274.50	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1130.1	1130.3	1135.5	1130.7	1137.8 (19/6)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	749.1	745.1	749.0	745.2	766.1 (31/5)	590.4 (14/1)
SBC General (1/4/87)	621.0	618.8	622.2	618.1	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5607.21	5604.69	5613.10	5768.08	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	712.57	723.01	739.54	(u)	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (\$)	481.9	483.8	490.4	492.3	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price: 6132.73 Korea Comp Ex. 590.57.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 4 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kitano Cons.	9.7m	2,030	+60	Hitachi Zosen	3.7m	820	0
Mitsubishi Heavy	4.4m	703	-5	Nippon Steel	3.5m	410	0
Akai Electric	4.4m	1,190	+40	Hitachi	3.4m	1,180	+20
Chiyoda	4.4m	1,850	+80	Marubeni	2.7m	540	-12
Fujitsu	4.1m	1,070	-10	M'bishi Material	2.6m	593	-16

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FINANCIAL TIMES

Friday July 5 1991

EUROPE

Frankfurt shows signs of life in post-bourse

ATTEMPTS TO recover Wednesday's losses were mostly thwarted yesterday, although several bourses closed slightly higher, *writes Our Markets Staff.*

FRANKFURT, resilient on Wednesday, waited until the post-bourse to show signs of life yesterday. In London after hours, the German stocks in the FT-SE Eurotrack 100 index were up by a little more than 1 per cent against a rise of only 1.70 to 1,616.11 in the DAX at the official close. Bayer was up DM6 at DM275.50 over the extended day, and Siemens by DM13 at DM651.

There were reports that Dresdner Bank had taken the view that German equities had hit bottom, and that it was looking for a recovery in the second half, especially in export-related and infrastructure stocks. However, the bank said that it was reckoning on a DAX consolidation in the 1,580 to 1,620 area and that it would be on the buying side at the bottom of the range.

Volume rose from DM6.2bn to DM6.9bn. Construction stocks were weak following the 89 per cent drop in group net profits reported on Wednesday by Philipp Holzmann. Holzmann dropped another DM96 to DM1,339, a three-day loss of more than 8 per cent. Hochtief lost DM37 to DM1,373 in sympathy.

Mr Harry Jaarsma of Dresdner said the bank liked Hochtief and Bilfinger & Berger; the latter fell only DM1 to DM943 yesterday. He noted that Hochtief has just reported a rise of a third in its order book, and is very optimistic about East German prospects. He said Bilfinger had potential in east Germany and southern Europe, attractive prospects in ground engineering and conservative accounting policies.

Viag rose for the second day, gaining DM6.50 to DM385 for a two-day gain of DM20.50. Mr Jaarsma sees Viag as a utility with added sex appeal in its Schmalbach-Lubeca and Gerresheimer Glas subsidiaries, the first looking at nearly trebled earnings per share over the two years to end-1992, and the other at a rise of 45 per cent over the same period.

MADRID witnessed domestic buying, mainly of banks and Telefónica, and foreign selling, particularly of utilities. This left the general index 1.76 higher at 274.26. Turnover improved to about Pta21bn from Pta17.4bn.

More than 1m shares were traded in Hidrola and its merger partner, Iberduero, which were unchanged at Pta555 and down Pta3 at Pta650, respectively; in Tabacalera, which eased Pta30 to Pta4,825 as a fund adjusted its portfolio; and in Telefónica, which gained Pta10 to Pta982. The telecommunications group, which is usually influenced by Wall Street, recovered from the previous day's weakness in the absence of the US market.

Urbis gained Pta55 to Pta1,740 on 581,704 shares. Banesto raised its stake by 8.5 per cent to about 34.5 per cent, causing some confusion among foreign investors over whether this would trigger a full bid.

Among banks, BBV gained Pta100 or 3.1 per cent to Pta3,320 on 245,872 shares.

PARIS lost its early gains and followed the bond market down, closing at another four-month low as investors continued to sell blue chips. The CAC 40 index fell 9.97 to finish just above the 1,700 support level at 1,708.05, compared with a day's high of 1,734.36.

Among the blue-chip losers, Elf Aquitaine shed FFr3.50 to FFr342.50 on volume of 363,800 shares, Alcatel Alsthom fell FFr8 to FFr539 on 281,760 shares and UAP gave up FFr12 to FFr508. Peugeot dropped FFr15 to FFr547 as it went ex dividend.

MILAN's feeble attempt to recover any of Wednesday's loss was undermined by Fiat's inability to reach the previous day's after-hours level when it was officially fixed early on in the session. The Comit index fell 0.81 to 567.86 in volume estimated at less than Wednesday's relatively heavy L162bn.

Fiat closed at L6,001, up L14, but below Wednesday's late L6,030.

Ferruzzi Finanziaria dropped L32 or 1.5 per cent to L2,148 following news that Mr Raul Gardini, the ousted chairman, was negotiating with the Ferruzzi family to liquidate his stake in Serafino Ferruzzi, the family company.

ZURICH closed slightly higher, with the Crédit Suisse index climbing 1.6 to 535.5, incorporating gains in industrials, chemicals and banks, and a decline in the insurance sector. SMH registered rose SFr18 to SFr622 after the watchmaker said that it would co-operate with Volkswagen to produce a new, environment-friendly small car.

AMSTERDAM ended barely changed from the opening in the absence of Wall Street. The CBS Tendency index closed 0.2 firmer at 92.6.

VIENNA was encouraged by the news of a ceasefire in Yugoslavia and the withdrawal of tanks from Slovenia. The bourse index rose 7.23 to 534.57.

TORONTO was flat at midday. The composite index rose 2.3 to 3,481.4. Advances led declines by 191 to 162 on turnover of 8.6m shares. PetroCanada fell C$⅜ to C$12⅛ as investors abandoned positions. They had expected the shares to surge above the initial public offering price of C$13. **WALL STREET** was closed for Independence Day.

FT-SE Eurotrack 100 - Jul 4

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1100.46	1100.51	1100.74	1099.24	1098.58	1098.43	1098.57	1099.95

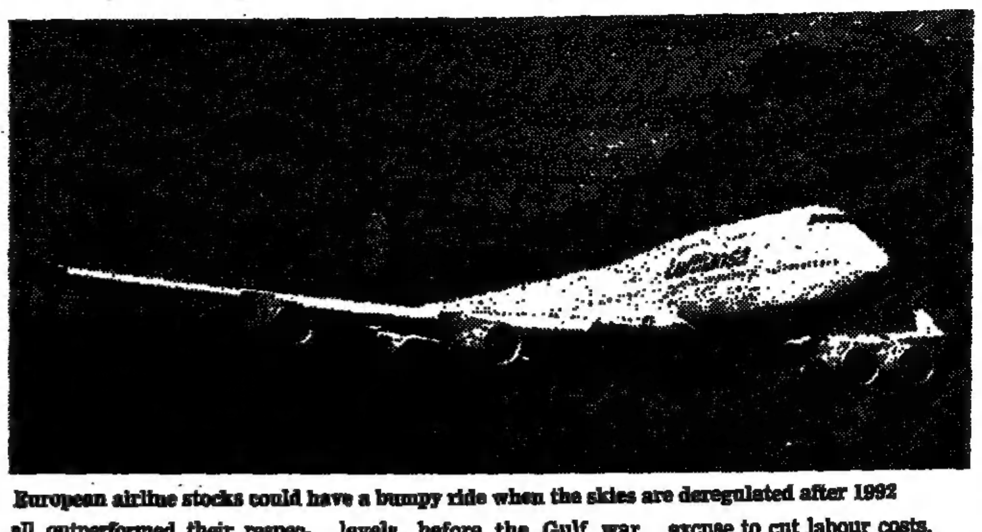
Day's High 1101.28 Day's Low 1097.94

Jul 3	Jul 2	Jul 1	Jun 28	Jun 27
1095.64	1109.86	1112.76	1106.47	1118.92

Base value 1000 (26/10/90)

European airlines form upward pattern

Share prices have risen on hopes of a recovery in earnings, writes Paul Abrahams



European airline stocks could have a bumpy ride when the skies are deregulated after 1992

AS European airlines' results nose-dived into losses this year, share prices in the sector have levelled out, or improved.

The last six months have been bloody for carriers; the Gulf war and the recession have squeezed customer demand. In spite of large discounts, international passenger volumes fell by 14 per cent during the first quarter of the year.

At the same time, this fuel, capital and labour-intensive industry saw its costs balloon. Fuel prices soared during the Gulf crisis; the cost of aircraft ownership was inflated by high interest rates; and labour costs remained intractable for many airlines. War, recession and higher costs meant that over the last 18 months the industry worldwide lost as much as $5.2bn.

However, the share prices took their punishment last year, and the year before. Between July 1989 and November 1990, KLM's shares fell by more than 50 per cent relative to the Amsterdam market. Similarly, Lufthansa fell by a third against the Frankfurt market over the same period.

In spite of the slow recovery in passenger volumes, Swissair, Lufthansa and KLM have all outperformed their respective markets since January.

Mr Mark Simpson, European transport analyst at UBS Phillips & Drew, explains: "The airlines were caught by the recession and war while at full stretch in their fleet expansion programmes. That is being reflected in their present results. But the markets have fully discounted both factors. They are now anticipating the recovery."

Passenger volumes are now only slightly below last year's levels, before the Gulf war prompted the collapse in demand, says Mr Simpson. This should mean that, when compared year-on-year, some airlines could enjoy increases in passenger volume as high as 50 per cent early in 1992.

In addition, the airlines are starting to benefit from a lower cost structure. Fuel, insurance and capital costs have all fallen since the beginning of the year. And most of the airlines have been able to use the war as an excuse to cut labour costs.

Lufthansa remains one of the most favoured recovery stocks, claims Mr Simpson, because the economy of its domestic base appears to be the most healthy. KLM is well placed to benefit from its long-haul operations to the Far East. Swissair, with its links with SIA, based in Singapore, and Delta of the US, should also recover well. The carriers could start generating cash to fund their expansion programmes by 1992, he argues.

However, the airlines' stocks are not suitable for pension funds, warns Mr Simpson. "These are highly cyclical shares which need to be looked at on a six months basis."

In the longer term, the most worrying, and potentially very dark, cloud on the horizon is the deregulation of the skies promised by the European Commission after 1992.

Mr Kevin Murphy, an airline analyst at Morgan Stanley, warns: "I have heard the plans of the European airlines for deregulation and they sound frighteningly similar to those of the American airlines before deregulation in the US. Some of the airlines are being naive. Once the deregulation genie is out of the bottle it cannot be plugged."

Some airlines, with a heavy emphasis on intra-European business, such as Alitalia, will be vulnerable to deregulation. Meanwhile, SAS could well find itself sidelined on the periphery of Europe in its Scandinavian base.

With such a potentially volatile long-term future, those investors who are risk-adverse should justifiably fear flying. For those willing to take a gamble, the rewards, at least in the short term, could be worth the risk.

ASIA PACIFIC

Nikkei briefly drops through 23,000 support level

Tokyo

FURTHER reports of a leading brokerage house compensating clients for their trading losses depressed share prices yesterday, and the Nikkei average briefly fell below the 23,000 support level, *writes Emiko Terazono in Tokyo.*

The index closed 237.86 down at 23,135.61, after a low of 22,901.50 in the first 30 minutes of trading. In addition to news that a leading securities house had compensated an electrical concern and a railway company for stock investment losses, there were unconfirmed reports that the Ministry of Finance would suspend corporate client business.

Television reports on Wednesday indicating the possibility of trust banks having compensated favoured clients added to the nervousness. But traders said investors who were ready to buy at cheaper levels supported the Nikkei.

Bargain hunting by investment trusts and financial institutions helped to erase some of the early losses, and the Nikkei rallied to 23,315.04 at one stage. Volume remained low, coming to 270m shares (260m previously), while falls led rises by 806 to 155, with 128 issues unchanged. The Topix index lost 23.67 to 1,796.98, but in London the ISE/Nikkei 50 index gained 2.09 to 1,369.82.

Trust banks fell on the television reports, Mitsubishi Trust & Banking shedding Y120 to Y1,560 and Sumitomo Trust & Banking Y40 to Y1,330.

Bargain hunting by foreigners and investment trusts lifted international blue chips.

Telecommunication issues were strong on reports that the government was considering easing its restriction on foreign ownership of stocks. Nippon Telegraph and Telephone added Y34,000 at Y879,000 and KDD Y1,000 at Y12,900.

Trading group Marubeni fell Y12 to the year's low of Y540. It has faltered since the arrest of a former official involved in fraudulent transactions, but rumours that the company itself had been involved triggered a further sell-off.

Synthetic fibre manufacturer Kuraray fell Y110 to Y1,280 on announcing a 15 per cent capital increase for late September. Its plan to finance its outstanding warrant bond redemption discouraged investors.

Akai Electric, the medium-sized audio maker, rose Y40 to Y1,190 on its restructuring plan. Akai has been weak of late on the Tokyo Stock Exchange's monitoring of its volatile price movements.

In Osaka, the OSE average declined 276.56 to 25,988.57 on turnover of 17.5m shares. Investors remained cautious, selling chemicals, machineries and food issues.

Roundup

HONG KONG brightened the Pacific Rim, which was generally depressed by Wall Street's overnight decline.

There was heavy trading in **HONG KONG**, which jumped on reports, confirmed after the close, that an agreement had been reached between Britain and China on the Colony's new airport. The Hang Seng index rose 54.14 or 1.4 per cent to 3,850.71. Volume surged to HK$2.62bn, the highest since last August, from HK$1.68bn.

MANILA rose on optimism that institutional support will keep Ayala Land from dropping below its offer price of 26 pesos when it is listed today. Speculation that Ayala Corp will declare a 30 to 40 per cent stock dividend also attracted buying. The composite index put on 20.01 or 1.8 per cent to 1,094.17 in volume of 106.8m pesos, against 130.6m.

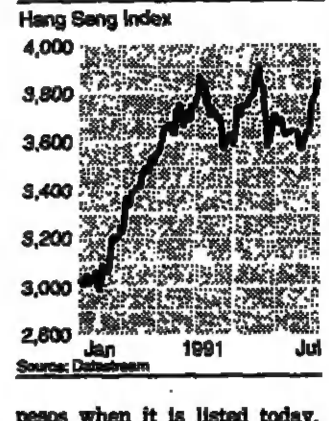
SINGAPORE continued to fall. The Straits Times Industrial index closed at the day's low of 1,470.14, down 18.59. Volume rose to S$125.5m from S$108.4m. Talk that IGB Corp could try to take over Malayan United Industries pushed MUI up 20 cents to S$1.71 in hectic trading of 25.2m shares, 37.2 per cent of the day's turnover.

AUSTRALIA was pulled off the day's low by a strong gold sector. The All Ordinaries index fell to 1,512 but ended at 1,523.9, off 4.8, in volume of A$143m (A$193m). The gold index advanced 20.5 to 1,106.6 on firmer bullion prices.

BOMBAY fell after the Reserve Bank of India raised lending rates. The BSE index dropped 14.21 to 1,298.66.

Hong Kong

Hang Seng Index



Source: Datastream

SOUTH AFRICA

JOHANNESBURG was sustained by resilient gold prices, and prospects that more sanctions may be lifted. The all-gold index lost 2 to 1,443 but industrials were up 4 at 3,864. The all-share index was 1 higher at 3,378.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at JUNE 28, 1991 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar Index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	Market capitalisation as at JUNE 28, 1991 (US$m)	% of World Index	Market capitalisation as at MARCH 28, 1991 (US$m)	% of World Index	% change in $ index since DECEMBER 31, 1990
Australia (70)	97576.7	1.42	91768.7	1.35	+19.09
Austria (20)	11989.6	0.17	10633.0	0.16	−10.72
Belgium (49)	45899.1	0.67	49374.6	0.73	−5.13
Canada (115)	148167.6	2.16	144072.3	2.12	+6.49
Denmark (37)	27561.8	0.40	24921.1	0.37	+2.12
Finland (16)	1870.1	0.03	2492.2	0.04	−6.64
France (114)	197560.6	2.88	213452.5	3.13	−5.63
Germany (65)	232660.6	3.39	246309.3	3.62	−7.08
Hong Kong (55)	75669.5	1.10	68630.3	1.01	+25.37
Ireland (18)	8376.8	0.12	9128.2	0.13	−3.71
Italy (77)	99788.2	1.45	97832.8	1.44	−5.39
Japan (474)	2235839.9	32.57	2213786.7	32.51	+2.93
Malaysia (68)	32834.9	0.48	8167.2	0.12	+10.01
Mexico (15)	19631.0	0.29	15441.1	0.23	+68.81
Netherland (31)	96817.8	1.41	104286.2	1.53	−1.80
New Zealand (13)	7877.8	0.11	6910.3	0.10	+9.85
Norway (32)	7793.4	0.11	7750.3	0.11	−8.50
Singapore (38)	20733.3	0.30	16674.5	0.24	+20.64
South Africa (61)	87307.5	1.27	57707.5	0.85	+24.51
Spain (55)	79784.6	1.16	73183.4	1.07	+3.53
Sweden (26)	26725.6	0.39	27159.2	0.40	+17.01
Switzerland (56)	100942.8	1.47	93227.0	1.37	−1.73
United Kingdom (239)	661534.0	9.64	741990.2	10.90	−5.64
USA (525)	2539240.7	36.99	2483943.9	36.48	+12.62
Europe (837)	1599314.9	23.30	1701738.0	24.99	−4.66
Nordic (111)	63950.9	0.93	62322.6	0.92	+6.36
Pacific Basin (718)	2470532.0	35.99	2405935.6	35.34	+4.26
Euro−Pacific (1555)	4069846.9	59.29	4107673.6	60.33	+0.45
North America (640)	2687408.3	39.15	2628018.2	38.60	+12.26
Europe Ex. UK (598)	937780.9	13.66	959747.9	14.10	−3.90
Pacific Ex. Japan (244)	234692.1	3.42	192148.9	2.82	+20.02
World Ex. US (1746)	4324953.0	63.01	4324894.5	63.52	+1.20
World Ex. UK (2032)	6202659.7	90.36	6066848.2	89.10	+6.57
World Ex. So. Af. (2210)	6776886.2	98.73	6751130.8	99.15	+4.99
World Ex. Japan (1797)	4628353.9	67.43	4595051.7	67.49	+6.29
The World Index (2271)	6864193.7	100.00	6808838.3	100.00	+5.19

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 3 1991								TUESDAY JULY 2 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	141.74	−1.1	130.93	124.98	134.96	123.40	−1.0	5.21	143.33	132.65	125.71	136.71	124.69	147.30	112.74	147.78
Austria (20)	170.12	−1.8	157.15	150.02	161.99	161.36	−2.3	1.69	173.17	160.26	151.89	165.17	165.08	222.37	167.00	261.89
Belgium (49)	124.56	+0.1	115.06	109.83	118.60	115.65	−0.2	5.10	124.48	115.20	109.17	118.72	115.89	151.20	121.73	151.84
Canada (115)	138.28	−0.5	127.74	121.93	131.66	114.40	−0.6	3.40	139.03	128.67	121.93	132.59	115.12	142.27	126.49	137.85
Denmark (37)	237.44	+0.5	219.33	209.38	226.09	228.16	+0.2	1.55	236.36	218.74	207.31	225.43	227.66	270.56	217.74	262.92
Finland (16)	90.00	−0.1	83.13	79.36	85.69	81.90	−0.2	2.94	90.10	83.39	79.03	85.94	82.10	125.15	90.00	134.97
France (114)	121.47	−1.4	112.20	107.10	115.65	118.28	−1.5	3.74	123.20	114.02	108.05	117.50	120.11	152.26	121.47	159.38
Germany (65)	102.61	+0.6	94.78	90.49	97.70	97.70	+0.4	2.29	102.03	94.42	89.50	97.31	97.31	125.35	102.03	138.57
Hong Kong (55)	157.99	+0.9	145.94	139.31	150.44	157.60	+0.8	4.92	156.63	144.95	137.37	149.39	156.29	161.77	119.62	139.19
Ireland (18)	140.86	−0.6	130.11	124.21	134.12	135.89	−0.7	3.76	141.69	131.13	124.27	135.13	136.79	162.46	132.88	190.95
Italy (77)	70.82	−1.8	65.42	62.45	67.43	72.00	−2.0	3.25	72.15	66.78	63.28	68.81	73.45	88.23	70.82	106.58
Japan (474)	127.17	−3.0	117.47	112.14	121.10	112.14	−2.4	0.75	131.04	121.27	114.93	124.99	114.93	146.97	118.35	149.79
Malaysia (68)	228.44	−1.2	211.01	201.43	217.51	245.68	−1.2	2.67	231.23	214.00	202.80	220.53	248.64	247.78	182.89	233.93
Mexico (15)	1021.63	+2.3	943.71	900.87	972.79	3368.30	+2.3	1.59	998.55	924.12	875.79	952.37	3292.22	1079.72	534.45	494.89
Netherland (31)	129.98	−1.0	120.07	114.62	123.77	122.36	−1.2	4.38	131.34	121.55	115.19	125.27	123.84	145.73	125.70	141.44
New Zealand (13)	48.06	−0.9	44.39	42.38	45.76	44.87	−0.7	7.83	48.48	44.86	42.52	46.24	45.19	54.84	41.18	65.82
Norway (32)	184.71	−0.2	170.62	162.88	175.88	176.82	−0.4	1.84	185.16	171.36	162.40	176.60	179.57	223.24	182.24	238.10
Singapore (38)	190.52	−1.7	175.99	168.00	181.41	155.49	−1.6	2.18	193.84	179.40	170.01	184.88	156.02	208.25	151.65	202.44
South Africa (61)	232.69	+1.2	214.94	205.18	221.56	168.70	+1.2	3.24	230.01	212.87	201.73	219.37	166.76	236.46	173.00	180.26
Spain (55)	142.13	−1.1	131.29	125.33	135.33	123.55	−1.1	4.33	143.74	133.02	126.07	137.09	124.90	171.12	131.51	175.16
Sweden (26)	184.76	−0.3	170.67	162.93	175.93	180.79	−0.6	2.45	185.39	171.57	162.60	176.82	181.89	204.12	148.60	232.19
Switzerland (56)	87.00	−0.6	80.36	76.72	82.85	85.41	−0.4	2.26	87.50	80.98	76.75	83.46	85.71	100.67	82.17	107.18
United Kingdom (240)	156.94	−0.3	144.97	138.38	149.43	144.97	−0.5	5.06	157.41	145.68	138.04	150.11	145.67	167.44	156.27	168.06
USA (526)	151.05	−1.1	139.53	133.20	143.83	151.05	−1.1	3.20	152.69	141.31	133.93	145.64	152.69	158.24	126.95	143.86
Europe (838)	127.14	−0.5	117.44	112.11	121.06	119.59	−0.6	3.96	127.77	118.25	112.06	121.87	120.35	151.52	125.50	152.22
Nordic (111)	177.00	+0.0	163.50	156.08	168.54	164.93	−0.2	1.86	176.96	163.77	155.20	168.77	165.29	200.81	155.55	214.59
Pacific Basin (716)	128.40	−2.7	118.61	113.23	122.27	113.67	−2.2	1.12	132.00	122.16	115.77	125.90	116.26	145.92	117.86	149.20
Euro−Pacific (1556)	128.23	−1.9	118.45	113.05	122.09	116.88	−1.6	2.25	130.66	120.92	114.58	124.61	118.78	147.86	121.29	150.83
North America (641)	150.17	−1.0	138.72	132.43	143.02	148.58	−1.1	3.21	151.76	140.45	133.12	144.77	150.16	157.04	125.91	143.39
Europe Ex. UK (598)	109.04	−0.6	100.72	96.17	103.85	104.79	−0.7	3.20	109.74	101.56	96.27	104.69	105.58	129.80	108.85	141.09
Pacific Ex. Japan (244)	140.57	−0.5	129.85	123.97	133.86	126.83	−0.5	4.60	141.31	130.78	123.96	134.79	127.45	145.66	111.40	141.33
World Ex. US (1748)	130.17	−1.7	120.24	114.79	123.95	118.13	−1.5	2.30	132.48	122.59	116.19	126.34	119.94	148.16	122.32	150.88
World Ex. UK (2034)	134.23	−1.6	123.98	118.37	127.82	126.73	−1.4	2.38	136.43	126.26	119.68	130.13	128.58	145.77	120.06	145.24
World Ex. So. Af. (2213)	135.60	−1.5	125.26	119.59	129.13	128.14	−1.4	2.63	137.70	127.43	120.78	131.34	129.94	148.68	122.92	147.08
World Ex. Japan (1800)	142.33	−0.8	131.48	125.52	135.55	137.36	−0.6	3.54	143.44	132.75	125.82	136.83	138.50	152.83	126.69	147.42
The World Index (2274)	138.24	−1.5	125.85	120.14	129.73	128.50	−1.3	2.64	138.29	127.98	121.30	131.91	130.25	149.01	123.28	147.26

Latest prices were unavailable for this edition.